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2 October 1980

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2047

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CONTENTS

BULGARIA

Industrial Activity During January-July 1980
(IKONOMICHESKI ZHIVOT, 13 Aug 80) 1

Survey of Varieties for Higher Wheat Yields
(Todor Rachinski; ZEMEDELSKO ZNAME, 29 Aug 80)..... 4

CZECHOSLOVAKIA

Industries Adapting 'Measures' to Local Conditions
(Vaclav Filip; HOSPODARSKE NOVINY, 8 Aug 80)..... 8

Ministry-VHJ Financing Problems Evaluated
(Vaclav Maly; FINANCE A UVER, No 6, 1980) 15

VHJ as Basic Management Link Evaluated
(Jaroslav Kratochvil; HOSPODARSKE NOVINY, 15 Aug 80) 32

HUNGARY

Socioeconomic Components, Contradictions of Structural Change Viewed
(Jozsef Bognar; KOZGAZDASAGI SZEMLE, Jul-Aug 80).... 39

Enterprises Finding Cooperative Solutions To Increase Productivity
(Judit Kozma; NEPSZABADSAG, 16 Aug 80) 58

Farms Attempt To Offset Higher Cost of Inputs
(Laszlo Nemeti; FIGYELO, 20 Aug 80) 63

Enterprise Struggles To Prepare New Five-Year Plan
(Janos Polonkai; NEPSZABADSAG, 3 Sep 80) 67

POLAND

Text of 1949 Trade Union Law Published
(DZIENNIK USTAW, 15 Jul 49) 71

INDUSTRIAL ACTIVITY DURING JANUARY-JULY 1980

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 13 Aug 80 p 4

[Article: "Industry of People's Republic of Bulgaria during January-July, 1980"]

[Text] The plan on monetary return from industrial production for the 7-month period of the year was 99.7 percent fulfilled. It was fulfilled as follows at some of the ministries:

Ministry of Energy--102.2 percent, Ministry of Machine Building--102.1 percent, Ministry of Light Industry--102.1 percent, Ministry of Metallurgy and Mineral Resources--101.1 percent, Ministry of Electronics and Electrical Engineering--100.9 percent, Ministry of Chemical Industry--101.0 percent, Ministry of Internal Trade and Public Services--100.5 percent.

In July the rate of production growth increased 6.2 percent, whereas in the 7-month period 4.6 percent more industrial production was realized over the same period of the past year.

The production of some basic commodities was:

Products	Measure	Output in Jul	Output in Jan-Jul	Jan-Jul 1980 in percent as to Jan-Jul 1979
Electric Power	Mil. kW/h	2,484	20,004	106.5
Coal	Thous. tons	2,569	17,864	105.4
Coke Briquets	" "	79	806	109.6
Rolled Ferrous Stock	" "	260	1,766	101.6
Hot Rolled Iron Sheets	" "	120	741	110.8
Plastic Coated Iron Sheets	" "	1.3	9.3	120.4

[Table continued on following page]

Products	Measure	Output in Jul	Output in Jan-Jul	Jan-Jul 1980 in percent as to Jan-Jul 1979
Steel Tubes	Thous. tons	20	140	103.1
Electric Instruments	Thous. Units	24	164	112.5
Lathes	Units	753	5,328	134.6
Electric Telfers	"	10,075	67,100	106.7
Motor Trucks	"	1,895	12,863	106.0
Soda Ash	Thous. tons	125	862	100.6
Nitrogen Fertilizers	" "	51	433	111.9
Polyethylene Foil	" "	1.6	10.9	123.2
Chemical Fibers and Silk	" "	8.7	57.0	108.6
Roofing Bricks and Shutters	Thous. Units	7,567	44,125	103.7
Plywood and other Presswood Sheets	Thous. cub. m.	25	181	106.2
Paper	Thous. tons	26	178	98.0
Plate Glass	Thous. sq. m.	1,395	15,127	96.8
Household Glassware	Thous. leva	1,598	14,999	117.0
Ceramic Tiles	Thous. Units	20,312	144,600	158.6
Household Procelain	Thous. leva	2,844	20,873	106.7
Wool Fabrics	Mil. m.	3.2	22 1	110.1
Silk Fabrics	" "	2.8	19.5	108.8
Knit Outerwear	Mil. Units	3.3	23.4	110.7
Meat	Thous. tons	40.3	250.4	98.8
Edible Vegetable Oils...	" "	5.9	90.3	129.6
Tobacco Products	" "	4.2	44.3	103.3

Committee on Unified System of Social Information

Commentary

Production grew in July at a higher rate than during the first 6 months of the year. It should be pointed out, however, that the production in July

was smaller than in June. The July plan for commodity production was fulfilled 99.8 percent with 358 industrial branches not fulfilling this indicator.

The Ministry of Construction and Construction Materials, the Ministry of Forests and Forest Industry, the National Agro-Industrial Union and other organizations have been lagging behind in the production plan for the January-July period. This affected their total revenue and their allocation of means needed for their funds for the economic organizations and their branches.

There was a drop in the production of some important products as sheet iron, phosphate fertilizers, automobile tires, lathes, motor trucks, cement and others.

According to the analysis of the reasons for nonfulfillment of the plan, the drop in production was caused mainly by not fully utilizing the production capacities as well as the labor force due to:

--poor technical conditions of some of the machines and equipment and frequent stoppage of the production process caused by unexpected repairs;

--irregular supply of raw and other materials and noncompliance with the contractual obligations concerning cooperative supplies;

--poor labor organization, and violation of the labor and technological discipline.

These shortcomings are most typical for the beginning of the month when in many enterprises work time is lightheartedly wasted without adhering to the production program. During the first 10 days of July, for example, the commodity production plan was fulfilled 95.3 percent whereas during the 20 days period, only 92.8 percent. In many of the economic organizations and departments almost half of the monthly output is produced during the last 10 days; in July it reached 46 percent. Therefore, a better production rhythm continues to be the main factor for guaranteeing the fulfillment of the production plan and reaching the goals of industry. The production rhythm should be observed each workshift, each single day, week, and month.

Furthermore, production agreements should be made to involve a shorter period of time as concerns the supplies for production which on its part will speed up fulfillment of the plan for transferring the monetary returns to industry.

1010
CSO: 2200

SURVEY OF VARIETIES FOR HIGHER WHEAT YIELDS

Sofia ZEMEDELSKO ZNAME in Bulgarian 29 Aug 80 p 2

[Article by Senior Scientific Associate Todor Rachinski, director of the Wheat and Sunflower Institute in General Toshevo: "Optimum Wheat Strain Structure!"]

[Text] This year wheat production in Bulgaria marked a new considerable success. For the first time the average yield for the country exceeded 400 kilograms of grain per decare. Once again the leading okrugs obtained over 500 kilograms per decare while the best brigades, and masters in the production of grain crops reached yields in excess of 600 kilograms per decare. A general upsurge and a marked aspiration to go forward and upward in wheat production is visible. What is most important is that the results which were achieved have triggered new ambitions and searches in the area of mastering the fine points and details of the production process.

Unquestionably, these successes are the result of the application of modern highly intensive growing technology, consistent with natural and agroecological conditions. They are the result of the extensive application of scientific knowledge, of a specific approach, greater experience, and higher technological discipline and, not least, the exceptional care with which our people are growing this crop.

We must also properly acknowledge the importance of strains.

The Most Important Biological Fertility Factor

The effect of all agrotechnical measures and natural influence factors is refracted through the quality of the strains. The more intensive wheat production becomes, and the higher our objectives are set in terms of high yields, the more the production process becomes dependent on heredity characteristics and strain genotypes. It is universally acknowledged that the greatest reserves for increasing yields may be found in the biological improvement and increased variety of the strains. This is particularly important to our country in which the specific nature of natural conditions limits the effect of increasing the dosage of the basic intensive factor--fertilizers.

A great advantage of our wheat production is also based on the fact that it is being developed with a richer strain structure. Today the ability to use the positive qualities of the strains means not only knowledge of how to raise the individual strain but also how to combine strains under specific soil, topographic, terrain, and production conditions. Each agroindustrial complex, brigade, or production sector has microrayons with specific conditions considered suitable or less suitable in terms of individual strains.

That is why one of the important requirements of modern scientific and technical progress in wheat growing is the accurate and practically confirmed microzoning of the strains.

Claims that we should "squeeze out" to a maximum the possibilities of a given strain before looking for another one are not only unscientific but represent a hindrance to the utilization of the advantages of the most successful strain combination. These claims are dominated by the theory of the "ideal" strain, which could hardly ever be developed. They turn us back to the use of a single strain despite all its disadvantages. They try to extend the monopoly use of a single strain even though other equally good or even better strains exist. Should we adopt such a strange structure for wheat we would be deprived of a considerable and still insufficiently used possibility for further yield increases.

We have an adequate and adequately tried selection of wheat strains whose genetic potential meets modern production requirements. We are raising about 20 strains. However, two are of leading significance: Sadovo 1, which is basic for southern Bulgarian, and Dobrudzha 1, for northern Bulgaria. In northern Bulgaria Dobrudzha 1 offers a substantial advantage because of its better resistance to diseases and its ecological plasticity. Currently this strain is displaying the best possible qualities for a mass type of wheat, with great stability and reliability of yields, equally displayed in both bad and good years. Under the conditions of southern Bulgaria, where wheat diseases are lesser, Sadovo 1 is displaying very great resistance to drought and yield reliability. Naturally, the peak of the Balkan Mountains should not be considered the boundary dividing the areas where the two strains are raised. Results have indicated that Dobrudzha 1 has high yields also in Burgas, Sliven, Pazardzhik and Sofia okrugs, while Sadovo 1 gives high yields in Varna and Shumen okrugs.

The Slavyanka strain is acquiring ever greater production significance. This is a high grade strong wheat with very good productive possibilities. Areas planted in this strain will be concentrated mainly in southern and northwestern Bulgaria. The tendency is to convert it into one of the basic strains used in these areas. The production of high quality grain, for the time being, will involve mainly the use of the Slavyanka strain. The most suitable areas for its use must be defined and suitable agrotechnical and technological methods must be applied to boost the quality

of the grain and insure the growing of the necessary quantities of strong eat grain for the country.

Production intensification calls for broadening the area's short-stalk strains whose productive possibilities are higher. The Vratsa, Yubiley, Trakiya and Ogosta strains have already passed their extensive industrial tests and proved their high productivity. Yields in excess of 650-700 kilograms per decare from such strains were obtained over large areas. Currently, such wheats account for about 15 percent of the area in wheat. It would be expedient, however, to expand this area in the next few years to 30-35 percent. The Vratsa strain has shown extensive ecological adaptability and the possibility to be used in all parts of the country. It is particularly promising in the intensive wheat areas of sourthern Bulgaria. Yubiley has proved to be a strain yielding stable high crops with noted advantages compared with remaining strains in the case of moist and more disease-ridden wheat seasons. Trakiya is proving to be the proper strain for dryer and warmer areas with rich soils. The great possibilities of the Ogosta strain are being confirmed in the area of carbonate chernozems, along the Danube and in the plains of northeastern and southeastern Bulgaria.

The intensive short stalk strains do not have the great ecological plasticity of the Dobrudzha 1. However, it is mainly they that yield over 650-700 kilograms per decare, providing that strain agrotechnology requirements are strictly observed.

Even though showing greater yield fluctuations, the early ripening Vega and Zlatoklas strains offer us good possibilities to advance the harvest season. Vega is more suitable for the plains with higher soil fertility, while Zlatoklas is better for slanted and eroded fields with less fertile soils.

The Kaliakra 2 strain has yielded very good results in the higher and cooler plateaus. Under similar conditions and with poorer soils, the use of the Kiten strain offers very great possibilities.

Phytosanitary considerations are prevailing to an ever greater extent in the selection of strains and in optimizing the wheat strain structure. This year's results as well have indicated that strains sensitive to the brown rust have had the lowest yields. Such yields were reduced by over 100-150 kilograms of grain per decare. The Yubiley, Ogosta, Trakiya, Kiten, Charodeyka and Zlatna Dolina strains have shown high and stable resistance to this disease, while Dobrudzha 1 and Vratsa have shown very good such resistance. The Sadovo 1, Trakiya, Yubiley, and Ogosta have proved to be very resistant to the yellow rust, while the new Kubrat 1, Tervel and Terter strains have shown very good resistance to the black rust.

the Yubiley, Vratsa, Trakiya and Chardedeyka strains are the most resistant to flattening and suitable for high altitudes. Bezostaya 1, Sadovo 1, Slavyanka, Yubiley, Trakiya and Vega are the most resistant to frosts. Slavyanka, Ludogorka, Ogosta and Vratsa are highly resistant to grain casting.

Thanks to intensive and purposeful selection-improvement work with wheat, our strain structure is becoming steadily richer and better. A new increase has been achieved in the production potential of the strains. The Chardedeyka strain, with a potential of over 800 kilograms of grain per decare, is already being rapidly used.

Determining the best strain structure of wheat is an important and exceptionally responsible problem. Its solution cannot be accomplished by passing decrees, or through indifference or subjective ideas. The best strain structure will be achieved by those who are steadily searching and experimenting with new developments, who acquire personal experience and impressions, who study strains under specific conditions, and who are best informed of their qualities. Let us sow the best strains and let us develop for each strain the best possible conditions so that it could yield its highest output. It is with such increased exactingness that we must enter the Eighth Five-Year Plan in order to conquer new peaks in the production of more wheat grain.

5003
CSO: 2200

INDUSTRIES ADAPTING 'MEASURES' TO LOCAL CONDITIONS

Prague HOSPODARSKE NOVINY in Czech 8 Aug 80 p 3

[Article by Eng Vaclav Filip, employee of the Secretariat of the Governmental Committee for Problems of Planned Management of the National Economy: "Set of Measures: Its Applications in Industrial Branches--Upgrading the Planned Management System"]

[Text] Specification, discussion and endorsement of the application of basic indicators of the plan and other tools of management according to the conditions in individual branches of our industry have represented an important stage in works connected with planning and implementation of the Set of Measures for Improving the Planned Management System of the National Economy after 1980. One of the basic principles in the planned management system has been applied: namely, a diversified approach to individual branches and sectors of industry.

Applications to conditions in individual branches are necessary because the Set of Measures was planned mainly for industry and does not reflect the specific characteristics of the nonindustrial branches, as well as of certain industrial branches, particularly basic production (the type of technology, natural conditions, concentration of production and management, seasonal character of operations, biological conditions, foreign relations, etc.). At present central organs are preparing specifications for the Set of Measures to be applied in the management system of their ministries.

In the first place, contradictory and divergent demands had to be eliminated from proposals presented for specific solutions, and solutions with equal validity for various branches had to be selected from such proposals.

General Standards

Organizations of the same type (industrial, construction, scientific research centers, marketing, etc.) will follow identical regulations irrespective of the ministry of VHJ [economic production unit] in which they are organizationally incorporated.

The sales value indicator for consumption in production will be applied step by step, and serve at first for orientation, in agreement with the State Planning Commission. It has become evident that the plan thus far has not created preconditions for the determination of this indicator; if introduced, this indicator could even negate to some extent the interest in reducing material consumption in production. Thus, in the next stage of the solution of this problem, attention must be focused on mandatory material indicators in order to guarantee supplies for consumption in production.

Tasks related to deliveries for capital investment, broken down according to selected sectors, will be determined gradually, according to agreements between branch ministries and the State Planning Commission, which will gradually create the preconditions and foundations for the plan.

Mandatory technical economic parameters will be stipulated in all ministries on individual management levels as a part of assigning each task of the technical development and its implementation, tasks in planning, etc.

A ceiling of 2 percent of wages payable is valid for allocations to the fund for cultural and social needs, with the provision that another quota of up to 0.4 percent may be allocated from preferential pricing of technically advanced goods, first-quality products, and fashion and luxury goods. If the type of production or of the activity of the VHJ excludes preferential pricing, another indicator characteristic for conspicuously improved quality of work or efficiency may be adopted by agreement. Another contribution of 0.4 percent (i.e., up to 2.8 percent) may be allocated only pursuant to the regulations applicable for export incentives. The opportunity to achieve the 2.8 percent ceiling is open exclusively to the exporting VHJ and stipulated intentionally so as to give priority to foreign trade.

The fund for development will be established in nonindustrial organizations, if the organization in question participates to a significant degree in industrial, construction or repair programs (this principle does not apply to organizations managed by national committees, because as a rule, the fund for development will not be organized in that economy in view of the general planning and financial attitudes toward the national committees as a whole).

Peculiarities of the Industry

As for the adaptation of the Set of Measures to the conditions in individual ministries, I present here only the most important applications in individual central organs and in the economy managed by national committees.

In the branch of fuels and power engineering, the applications respect the idiosyncrases of natural conditions, the limited resources of raw materials, the deteriorating mining conditions, the impossibility of storing electric power, and also a high share of the labor value added. In the production and sales areas, unlike in other industrial branches, the plan will not

stipulate the task of the share of technologically highly advanced products. The growth of per kg prices will be stipulated to a limited extent. The ceiling for the number of workers may be exceeded in cases of hiring persons with altered work capacities.

The main component of wage funds will be set absolutely by the VHJ and, unlike in general solution, it will not be reduced in case of nonfulfillment of production goals. The incentive component of wage funds in the production of fuels will not depend on the profitability of the means of production, but created according to transferred natural units. In power and gas generation the correlation with the profitability of the means of production is replaced by the indicator designating efficiency and quality (for instance, specific fuel consumption per kilowatt). The conditions for the achievement of the above-plan incentive wage component are then selected so that the interest in the material volume of production will be complemented by efficiency--which, in case of fuels, means a selected indicator (for example, costs required), and in power engineering, for instance, available capacity.

Diverse natural conditions call for redistribution of profits by the ministry. The development fund will be established in organizations where such opportunities exist in terms of production of their own financial resources, i.e., primarily in machine engineering and assembly enterprises. Centralization of credit relations in the VHJ for subordinate enterprises will depend on the extent of centralization in capital investment, supply, and other areas of management, which will be stipulated in statutes and regulations valid within that particular VHJ.

In organizations of the Federal Ministry of Metallurgy and Heavy Engineering, General Engineering and Electric Industry, the deviations from the Set of Measures are minor. Partial specifics are respected in machine engineering organizations with higher supplier functions and in marketing and supply organizations where a risk fund may be established to cover certain multiple costs.

In ferrous metallurgy the incentive wage component will be created differently; it will be determined by cost requirements instead of profitability of means of production, and furthermore, the qualifying indicator of sales structure will be replaced by structure of production in material units (coke and pig iron). In engineering metallurgy it is exceptionally permitted to stipulate the limit for external rejects in order to determine the extent of inferior products. In the Ore Mines and Magnesite Works VHJ, certain deviations will be in effect (for example, profits instead of profitability of means of production, the basic component of wages payable absolutely unrelated to outputs, analogically as in fuels). In planning and implementation, the Set of Measures will be further adjusted so as to control price limits and to stipulate the increase of per kg prices and the opportunity to exceed the limits imposed on the number of workers by hiring persons whose ability to work has changed.

in organizations of the chemical and consumption industries no specific deviations have been approved.

Adjustment in Other Branches

In construction industry the Set of Measures will be applied analogically as in industry, with adjustments reflecting the type of operations in the construction industry, which differ from industrial production. This leads to frequent changes in the organization of work, and to a more pronounced role for transportation in the construction industry. Also, profitability of production thus far and the financial base of the organizations themselves are taken into consideration. Profitability of operating assets (after modification by clearing the unfinished construction production), profitability of factors of production (to be tested in selected VHJ of construction materials), and profitability of costs will be applied as summary indicators expressing the overall activity of the organizations. In addition, the questions concerning the establishment of the development fund and concerning the so-called "debt removal" of construction organizations on the basis of submitted quantifications are still under discussion.

In forest and water economy its specific character will be applied in several directions. In view of the scope and character of capital investment, the development fund will not be established here. The output in these branches is expressed by the so-called planning prices (in forest economy, value added; in water economy, outputs) which will comprehensively affect the operation of those organizations. Furthermore, outputs in planning prices will then serve as the base for the control of the basic wage factor.

In forest economy profitability of the operating factors will be applied in lieu of profitability of operating assets; in correlation with this adjustment, the incentive wage component is then linked with the adjusted indicator of factors of production (instead of profits, the volume of value added will be applied in planning prices). In water economy the basic wage component will be controlled by total outputs with regard to the lowest possible material consumption.

In transportation and communications the distinct character of operations--satisfaction of the needs in other branches--is respected; reduced capacities here (in transportation) may mean a social contribution, so long as the demands of the transport workers are met. Moreover, the fact is taken into consideration that the production of the utility value of goods is completed in freight transport. However, no material utility value is created there.

In output plans the indicators expressing specific aspects of transportation and communications services are applied, and the indicator of profitability of operating assets has been replaced by profitability of costs.

In state agricultural organizations specific natural conditions and the effect of biological laws on production are taken into consideration. The indicator of total outputs is retained in view of the time factor of investments in the land and of the seasonal character of agricultural operations. At the same time, however, the switch to the units of manpower consumption or some other appropriate indicator (for evaluation as well as for wage control) will be experimentally tested in 1981-1982.

Profits which will constitute the basic indicator of the financial plan will serve as a basis for the creation of the incentive wage component. By the same token, the principle was adopted that the results achieved by agricultural organizations will be adjusted on a nonaccount basis by the effect of abnormal weather conditions. The development fund will not be established here; profits may be redistributed within the ministry.

In the food industry the indicator of value added and profitability of operating assets (or factors of production in seasonal production) will be applied. Naturally, they will be modified so that, for the purposes of evaluation of plan fulfillment and for wage control, the indicators will be adjusted by the effect of nondeliveries of agricultural raw materials and of control measures on the part of governmental authorities. When converting the amount of supplies for the purposes of profitability of operating assets and of their turnover rate, the seasonal character of the branches of food industry will be taken into consideration, and supplies of a seasonal type will be excluded. Specific objective tasks of the plan will replace the qualifying indicator of the marketing structure for above-plan wage resources.

Rather than the value added, the basic component of wages payable in railroads will depend on operational outputs assessed by constant labor costs, and in civilian air transportation and in water transportation by the share of receipts. The incentive wage component will depend on a suitable qualitative indicator other than profitability of operational assets (for instance, profitability of costs and exploitation of the rolling stock and engines).

The development fund will not be established in either branch; investments will be stipulated as directives in the plan. Profits may be redistributed on the level of the ministries, with regard to the financial situation of the organizations.

In domestic trade, i.e., in the branch serving to circulate the goods, retail turnover remains the basic indicator characterizing the operation of the organizations, although the negative aspects of its effect as a volume indicator are well-known. It has been retained because no other solution is available. The task of studying potential alternatives for evaluation of the fulfillment of the plan and wage control, other than retail turnover (for instance, the trade span), before the end of this year has been assigned to appropriate organs.

profits and the share of total costs will be applied instead of profitability of operational assets, the development fund will not be created, and all investments will be financed from the construction fund.

In foreign trade organizations the monopoly of foreign trade is respected and furthermore, a system of tools that has been introduced will affect the volume of exports and imports and their structure, as well as their efficiency. For that purpose, planning of exports has been intensified in entries in the state plan, and specific investment units will constitute its part. Profits and the share of total costs in outputs (without direct foreign trade costs) will be applied in lieu of the mandatory indicator of profitability of operating assets.

Basic wages payable will not be regulated by value added, but determined absolutely, without any reduction, on the basis of actual outputs. The incentive wage component depends on actual exports in prices quoted; the achievement of an above-plan incentive component will depend on the achievement of the differential indicator stipulated in the plan for the socialist countries and for the nonsocialist countries. Redistribution of profits on the level of the ministry is permitted. The development fund will not be established in foreign trade organizations, and the volume of investments will be determined in a detailed breakdown of the plan.

In health services the Set of Measures will be applied according to each individual organization. In organization of production the type of medical production is respected first of all by the stipulation of mandatory deliveries of supplies for health services; furthermore, in the interest of health care, a reserve fund will be used to balance economic shortfalls, if any, stemming from the regulated production. In organizations managing spas and mineral springs, and in services supplying health care organizations, certain tools of management will be adjusted. For instance, the development of the incentive wage factor will be stipulated in relation to the development of profits, etc.

Specifics of National Committees

An economy managed by national committees is specific in its differentiation, the extent of its services to the population, its diversity and its narrower technical-production base. As a rule, general principles of the Set of Measures are applied here with the deviations states below. Indicators of the plan are adjusted according to the appropriate operations in individual branches.

The regulation of the basic factor in wages payable will deviate from the adjusted value added only in case of restaurants and dining services (correlation with retail turnover, however, the criterion for testing another indicator, applies in the same way as in the case of domestic trade), water economy (outputs in planned prices), in the KNIHA [Book] enterprise (indicator of sales of goods), in local industry and communal services (labor and service indicator).

The incentive wage component is determined on the basis of profitability of total costs, except for municipal mass transportation (on the basis of losses), for restaurants and dining services, the KNIHA national enterprise, and the Coal Storage enterprise (economic results), water economy (costs of materials), and the CSAO [Czechoslovak Automobile Repair Shops], local construction, bakeries and confectioneries (usually profitability of operational assets). The development fund will not be introduced in enterprises managed by national committees. The supply turnover rate will be differentiated, and the enterprises will pay the contributions to the state budget.

Unlike the situation in centrally managed branches (with some exceptions, for example, the Transport Enterprises VHJ in Prague), the enterprise is regarded as the basic unit.

Furthermore, some unification will apply in the economic and legal forms of the kraj organizations for the development of technology in local economy and of engineering investment organizations, which will be organized individually as administration of health and cultural organizations.

The application of the Set of Measures has been adopted in other national economic branches as well, for instance, in planning and engineering organizations, in organizations of the scientific research base, and in geological, educational and cultural organizations.

The above-stated application, approved for whole branches by the Governmental Committee for the Problems of Planned Management of the National Economy, do not fully exhaust every opportunity for the adaptation of the Set of Measures. The Set of Measures also allows partial adjustments in individual regulations which may be applied in individual VHJ's so long as their character justifies them. For instance, in economic production units an indicator other than adjusted value added may be introduced, if it can better express the effect of labor value added. Analogically, profitability of operational assets may be replaced by another indicator that expresses better the efficiency of work for the society. The Set of Measures allows for partial adjustments of specific demands also in other areas.

9004
CSO: 2400

MINISTRY-VHJ FINANCING PROBLEMS EVALUATED

Prague FINANCE A UVER in Czech No 6, 1980 pp 395-403

[Article by eng Vaclav Maly, CSc]

[Text] At the present time increased attention is being paid to finding ways to improve the Czechoslovak economy's management system. By so doing economists are fulfilling the tasks set for them in this area by the 15th Congress of the CPCZ. In addition to efforts aimed at coming up with improved planning procedures, since these are the primary methods used in the management of a socialist economy, a great deal of attention is also being paid to improving and increasing the effectiveness of indirect economic management methods. At the 15th Congress of the CPCZ Comrade Gustav Husak made the following statement: "We are linking the drive to improve the quality of management work with the demand calling for the more effective utilization of financial, price and wage planning levers. In line with the goals of the plan and in conjunction with the fulfillment of substantive tasks the role of these planning levers needs to be expanded."[1]

A number of specific results were already achieved in the past in connection with the drive to solve the problem of finding ways to improve the management system of the Czechoslovak economy. A comprehensive experiment of efficiency and quality management, one of the key programs of the planned management system of the past few years, was devised and put into practice. In accordance with the rules of this experiment the effectiveness of the economic levers of indirect management is being enhanced. In 1977 the impact of economic planning levers in the area of financial management was also bolstered and upgraded through the passage of legislation that introduced modifications into the system of levies and taxes paid by economic organizations into the state budget and the national committees budget, legislation which went into effect on 1 January 1978.[2]

These taxation law amendments are a direct result of the restructuring of wholesale prices on 1 January 1977 and mark the culmination of readjustments of financial management instruments used for the Sixth Five-Year Plan.

These trends, which are clearly visible in the process encompassing the refinement of the management system of our socialist economy, are the focal point of this article; in this article we will be discussing certain aspects of financial management at the branch-ministry level.

Financial Policy as a Management Tool

One of the important tools used by the branch ministry to carry out its economic management functions vis-a-vis subordinate economic organizations (primarily VMJs) is its financial policy which is defined most concretely in the system employed for the formation and utilization of so-called ministry funds and in the system used to redistribute financial resources.

The existence of funds at the branch-ministry level and, most importantly, the system used for the redistribution of financial resources has its progressive aspects, but, at the same time, this arrangement also poses certain theoretical and practical problems.

The financial resources redistribution system is a very effective tool for managing the formation and spending of financial resources at any management level. But at the same time, speaking from a theoretical standpoint, there is something about this arrangement which in a system of management controls points to the existence of imbalanced financial relations, with all of the drawbacks inherent in these relations.

However, the redistribution system is above all a management tool. And as with any tool its effectiveness is primarily a function of the way in which it is used. If redistribution is used to balance out the uneven economic performance records of various organizations without bothering to analyze the causes of these discrepancies, then this tool is in fact being wielded in a manner that contradicts the principles of khozraschet management and, in the final analysis, diminishes the effectiveness of the management system as a whole.

On the other hand, if the redistribution system is used by managers in an active way, i.e., in conformity with the goals of the system as a whole, then this concept goes a long way toward limiting conflicts with the principles of khozraschet management and turns out to be an active lever of economic control in the management system. This concept of redistribution is influenced in a major way by certain factors, i.e., primarily by:

--the ways in which funds are generated for redistribution and the rules governing their allocation;

--the determination of the order by which financial resources are allocated for redistribution (profits, depreciation allowances) in organizations that generate funds for redistribution;

--the determination of the amounts of funds slated for redistribution;

--the determination of the areas in which these resources will be used.

It goes without saying that at individual levels of management these factors will play different roles (in terms of redistribution within the ministry framework, redistribution within the VMJ framework, and so on).

In this article we will be talking about the problems associated with the generation of financial resources, and in order to illustrate these problems we will be analyzing concrete empirical data for individual VMJs in the jurisdiction of the Federal Ministry of General Engineering and for the ministry as a whole covering the period 1976-1978. Based on our analysis of these figures, we will attempt to come up with some conclusions and recommendations which might help to make the utilization of the financial levers of economic management in the engineering industry more efficient.[3]

We will use the volume of financial resources and the structural breakdown of their formation and allocation as a point of departure for our assessment of the importance and effectiveness of the use of economic management levers in the area of branch-ministry finance policy.

The volume of financial resources generated by the Federal Ministry of General Engineering [FMVS] during the period 1976-1978 is shown in Table 1 below.

Table 1 was compiled in a way that enables us to break down total revenue funds into funds received from the national budget, the VMJs and directly managed enterprises and concerns, and within this framework the table also shows the breakdown for types of revenues.

In a certain sense and by way of analogy we can regard the funding received from the national budget as "outside" funds and the other two categories of funds as "internal" resources.

Table 1 shows that most of the funds available to the FMVS come from internal sources (the actual ratio for 1976 being 71.5 percent, 78.6 percent in 1977 and 25.6 or 91.9 percent[4] in 1978), which goes to show that this branch ministry has a solid foundation on which to conduct its own active financial policy.

The other tables reproduced below show how these funds were allocated and are therefore a concrete reflection of this policy.

Of the three most important spending categories (i.e., profit-margin subsidies, working capital subsidies and capital investment subsidies) it is mainly the last two that reflect the specific planning goals of the branch ministry and are indicative of its managerial role.[5]

Table 1. Revenues of the FMVS During the Period 1976-1978 by Types

(in percent)

	(6)	(7) státní rozpočet		(10) VHJ		(11) podniky přímo řízené a koncerny[a]		(12) celkem podle druhů	
		(8)	(9)						
přídělv ze státního rozpočtu (1)	1976	100.0	100.0					28.8	28.8
	1977	100.0	100.0					20.4	21.4
	1978	—	—					71.7[b]	74.4[b]
odvody ze zisku (2)	1976			20.6	21.3	59.6	60.3	18.0	18.3
	1977			25.0	24.9	64.9	63.8	22.3	22.0
	1978			32.3	28.8	51.6	50.9	9.5	7.1
ostatní odvody ze zisku (3)	1976			—	—	—	—	—	—
	1977			0,3	0,3	0,6	0,6	0,3	0,3
	1978			—	—	—	—	—	—
odvody na vrub fondů (4)	1976			27.6	30.0	17.6	16.9	19.8	21.0
	1977			22.1	23.6	25.2	22.1	17.7	18.6
	1978			27.3	31.7	23.9	24.2	7.7	8.0
odvody odpisů (5)	1976			51.8	47.5	22.5	22.8	36.0	35.2
	1977			52.6	51.2	9.3	10.1	39.3	37.7
	1978			40.4	42.5	23.9	24.1	11.1	10.8

a) In the Czechoslovak economy concerns are in fact a type of VHJ, but they are considered to be separate institutions for statistical purposes and we are taking this distinction into account in this article.

b) The high percentage figures for national budget appropriations during 1978 are the result of the granting of special government appropriations to be used as interim loans in 1977 that were recorded in financial statements for 1978. The fact that these special appropriations were made is a highly unusual case. If we subtract from national budget appropriations the amount granted in the form of interim credits, the percentage of revenues coming from this source is reduced to 8.1 percent.

Key:
(1) National budget appropriations
(2) profit taxes
(3) other profit levies
(4) levies chargeable to funds
(5) depreciation taxes
(6) period
(7) national budget
(8) estimate
(9) actual
(10) VHJ
(11) enterprises managed directly by the FMVS and concerns[a]

In absolute terms the biggest spending category (see Table 2) covers capital investment subsidies; during the 3-year period under review the ratio of capital investment subsidies to total spending rose steadily, i.e., 33.8 percent in 1976, 59.6 percent in 1977 and 81.7 percent in 1978.

Table 2. The Breakdown of Funding Appropriations Within the FMVS

(in percent)

	(6)	(7) Státní rozpočet		(10) VHJ		(11) podniky přímo řízené a koncerny		(12) kcelk	
		(8)	(9)						
odvody do státního rozpočtu (1)	1976	—	—					—	—
	1977	—	—					—	—
	1978	—	—					—	—
dotace k zisku (2)	1976			26.5	26.5	2.6	2.6	25.6	25.6
	1977			44.5	42.4	18.0	16.3	39.7	34.6
	1978			15.5	15.5	29.2	29.2	16.0	16.0
dotace na investice (3)	1976			32.7	32.7	60.3	60.3	33.8	33.8
	1977			52.2	54.2	81.8	83.5	57.6	59.6
	1978			82.2	82.2	68.5	68.5	81.7	81.7
dotace do provozních fondů (4)	1976			40.4	40.4	36.7	36.7	40.3	40.3
	1977			—	—	—	—	—	—
	1978			—	—	—	—	—	—
ostatní položky účelově financované (5)	1976			0.4	0.4	0.4	0.4	0.3	0.3
	1977			3.3	3.4	0.2	0.2	2.7	2.8
	1978			2.3	2.3	2.3	2.3	2.3	2.3

Key:

(1) taxes payable to the national budget
(2) profit margin subsidies
(3) capital investment subsidies
(4) working capital subsidies
(5) miscellaneous earmarked funding categories
(6) period
(7) national budget
(8) target
(9) actual
(10) VHJs
(11) enterprises managed directly by the FMVS and concerns
(12) total

Redistribution of Branch-Ministry Financial Resources Among VHJs as an Integral Part of the Funding of VHJs

The financial resources of a branch ministry (in our case the FMVS) which are drawn upon by that ministry as a means of conducting its financial policy in relation to its subordinate enterprises still account for only a portion of the total funds that are used to influence the financial position of the VHJs.

The VHJs receive funds not only from their superior organ (branch ministry), but also directly from the national budget, and most of their funding comes from the latter source as is shown in Table 3 below.

Table 3. Subsidies Granted to VHJs (in percent)

(1) období	(2) ze státního rozpočtu		(5) z FMVS		(6) celkem	
	(3) plán	(4) skutečnost	(3) plán	(4) skutečnost	(3) plán	(4) skutečnost
1976	73.2	76.9	24.8	23.1	100.0	100.0
1977	86.0	75.1	14.0	24.9	100.0	100.0
1978	72.9	52.5	27.1	47.5	100.0	100.0

Key:
(1) period
(2) national budget subsidies
(3) planned
(4) actual
(5) FMVS subsidies
(6) total

At the same time, however, Table 3 documents the increasing contribution of the branch ministry to the total funding of the VHJs during the period 1976-1978. The size of this contribution has increased sharply especially in 1978. Nevertheless, the appropriations paid out to the VHJs by the FMVS are still smaller than the appropriations from the national budget.

At this point several questions naturally come to mind. Namely, is this an ideal situation in terms of the apportionment of the management workload in the managerial hierarchy of the Czechoslovak economy? What were and what are the reasons for this funding pattern? Is it a good idea to keep doing things this way, or would it be advisable to act on proposals calling for the modification of this system?

A long-range, specialized study in the area of economic theory and practice will have to be completed before we can come up with a thorough answer to these questions. And it may be that even then the answers will be inconclusive, rather they may have to be qualified by taking into account the then prevailing level of development of productive forces and relations at the then given stage of our socialist economy.

Nevertheless, we will try to provide some answers to these questions. In the first place we will have to make a more thorough analysis of the aforementioned statistics before we can come up with any answers to these questions. Accordingly, we will focus our attention on the trends revealed in the way these funds are allocated to the VHJs, trends which are illustrated by Table 4 below.

An examination of Table 4 reveals that the largest appropriations of funds to the VHJs during the period under review were intended to be used for capital construction purposes, i.e., 64.2 percent of total appropriations during 1976, 67.4 percent in 1977, and 83.8 percent in 1978, while the average for the whole period was 71.8 percent. We have included the categories listed under items a), d) and h) in the figure for total capital investment subsidies.

Table 4. A Survey of Subsidies Granted to VHJs in Individual Years Ranked According to their Average Amounts (in percent)[a)]

	druh dotace	1976		1977		1978		(1976–1978) Průměr za roky	
		(16)	(17)	(16)	(17)	(16)	(17)	(16)	(17)
		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
(1)	a) dotace na investice[b)]	59.4	63.1	80.2	64.6	74.2	70.7	71.3	66.1
(2)	b) limit prostředků na úkoly rozvoje vědy a techniky[c)]	14.1	12.6	11.2	14.0	17.5	11.0	14.3	12.5
(3)	c) ostatní dotace k zisku	13.1	12.1	3.6	5.4	1.4	2.3	6.0	6.0
(4)	d) dotace na investice z redistribuce[d)]	3.–	—	0.6	1.–	3.9	12.8	2.5	4.6
(5)	e) ostatní dotace k trhbám	—	—	—	—	—	—	—	1.9
(6)	f) dotace na doplatky obratového fondu	3.0	3.4	—	1.8	—	—	1.0	1.7
(7)	g) intervence při nákupu	5.4	4.3	—	—	—	—	1.8	1.4
(8)	h) dotace na investice ze státních fondů[e)]	1.1	1.1	0.6	1.8	0.4	0.3	0.4	1.1
(9)	i) dotace na úhradu plánované ztráty	—	—	2.0	2.8	2.3	0.6	1.4	1.1
(10)	j) ostatní potřeby účelového financování	—	2.2	—	0.4	—	0.3	—	1.0
(11)	k) dotace do ostatních provozních fondů	—	0.9	—	0.2	—	1.3	—	0.8
(12)	l) dotace na řešení podnikových a oborových úkolů technického rozvoje[f)]	0.2	0.2	0.2	1.6	0.3	0.4	0.2	0.3
(13)	m) dotace z redistribuce a z fondů	0.5	—	1.6	0.6	—	—	0.7	0.2
(14)	n) dotace do fondu odměn	0.2	0.1	—	—	—	0.2	—	0.1
(15)	o) dotace na Rudé prapory	—	—	—	0.1	—	0.1	—	—

a) This table was compiled on the basis of the exact figures for appropriations from the national budget and from the FMVS to VHJs and their subordinate enterprises during the period 1976-1978.

b) VHJs report all capital investment subsidies, including both those received from the national budget and those received from the FMVS, with the exception of capital investment subsidies received from state revenues and from the sectoral and ministerial account for the redistribution of depreciation allowances.

c) VHJs submit figures on the fixed limit of funds received for the reimbursement of invoices recording the fulfillment of tasks provided for under the terms of the state or ministry plans covering research and development work and also figures on the actual reimbursements received and chargeable to these fixed limits. The plan target figures cited here refer to the financial plan.

d) This refers to capital investment subsidies received from the sectoral or ministry capital construction fund and from the ministry account for the redistribution of depreciation allowances.

e) This refers to capital investment subsidies received from state revenues, subsidies which do not fit into the above categories a) and e) and for which separate provisions are made in the financial plan.

f) This refers to subsidies received for the fulfillment of enterprise and sectoral research and development projects and for the support of the activities of research and development organizations or offices.

[key to Table 4]

(1) capital investment subsidies[b)]
(2) fixed-limit funds for spending on research and development projects[c)]
(3) miscellaneous profit margin subsidies
(4) capital investment subsidies derived from redistribution[d)]
(5) miscellaneous revenue subsidies
(6) subsidies for supplemental payments into the revolving fund
(7) financial aid related to the procurement of materials
(8) capital investment subsidies derived from state revenues[e)]
(9) subsidies for the reimbursement of planned losses
(10) miscellaneous earmarked funding requirements
(11) subsidies for miscellaneous working capital requirements
(12) subsidies granted in support of the fulfillment of enterprise and sectoral research and development projects[f)]
(13) subsidies derived from both redistribution and state revenue accounts
(14) wage fund subsidies
(15) Red Banner subsidies
(16) planned
(17) actual
(18) 3-year average

Another large share of these appropriations was supposed to be spent on scientific and technological research and development work in support of the fulfillment of tasks assigned by state or sectoral authorities, i.e., 12.8 percent in 1976, 15.6 percent in 1977 and 11.4 percent in 1978, whereas the planned ratio for the latter year was 17.8 percent. These percentages represent the sum total of appropriations under items b) and e).

Miscellaneous profit margin subsidies (item c) accounted for 12.1 percent of total appropriations to VHJs in 1976, 5.4 percent in 1977 and only 2.3 percent in 1978. On the average these 3 categories of subsidies accounted for 91.2 percent of all appropriations made during this period.

The structural breakdown of the subsidies granted to the VHJs is a reflection of the varying degrees to which the management of individual areas has been centralized. In a socialist economy central organs are most concerned about the management of capital spending and technological development.

These areas of economic activity have always been a prime concern of our highest ranking state and party organs. In this connection it is also interesting to analyze the priorities assigned to the appropriation of funds to VHJs from the branch ministry and from the national budget.

This analysis has shown that subsidies paid for out of the national budget are concentrated mostly on the funding of capital construction. These subsidies are covered by the 2 items listed in Table 4, i.e., capital investment subsidies and capital investment subsidies derived from state revenues, which in 1976 amounted to 71.0 percent, in 1977 to 79.3 percent and in 1978 to 80.4 percent of total subsidies paid for out of the national budget.

If we evaluate the structure of these funds, we will find that they were supposed to be used for two main purposes, i.e., for capital construction and as miscellaneous subsidies to funds for redistribution within VVBs. In percentage terms these appropriations can be described as follows (see Table 5) (the sum total for all subsidies = 100 percent):

Table 5.

(in percent)

	(3) plan			(4) actual		
	1976	1977	1978	1976	1977	1978
[illegible] (1)	46.8	46.9	63.2	41.0	43.0	67.7
[illegible] (2)	26.1	25.3	5.0	29.8	21.7	4.8

Key:

(1) capital investment subsidies
(2) miscellaneous profit margin subsidies
(3) planned
(4) actual

The figures given in Table 5 clearly show that there was a positive trend toward a decline in the share of miscellaneous profit margin subsidies during the period 1976-1978.

An analysis of the individual subsidy categories also produces some interesting findings. On the basis of this analysis it is possible to reach some indirect conclusions as to the focal point of the branch ministry's work in this area.

Table 5 shows that most subsidies received from the national budget are concentrated in the capital investment area. In terms of absolute amounts the capital investment subsidies paid for out of the national budget during the years 1976 and 1977 were 6 times greater than the same kinds of subsidies paid for with FMVS appropriations. It was not until 1978 that the capital investment subsidies paid for out of the national budget and out of the budget of the FMVS proved to be more or less equal. Considered solely from this standpoint, this would mean that either a majority of these capital spending projects exceed the bounds of the ministry's jurisdiction or that the ministry's involvement in this area is minimal. Is this a desirable situation? After all, the Federal Ministry of Finance [FMF] and the FMVS are both central agencies which are charged with the

responsibility of promoting the fulfillment of general public needs and uniform government policies. A branch ministry's overall responsibility for promoting the development of the industries in its jurisdiction should also encompass the exercise of control over capital investment policy, including control over the expenditure of funds allocated for the purpose of implementing this policy.

We believe that the distinctions made with regard to the methods used to finance capital construction should not be viewed in strictly procedural terms, rather it is important that we should also acknowledge divisions of authority and responsibility among branch ministries and central agencies with economy-wide jurisdictions. It would seem that in recent years (witness the figures quoted above) some initial steps have been taken toward putting this principle into practice.

The subsidies allocated by the FMVS to the VMJs in its jurisdiction are concentrated in two main categories, i.e., capital investment subsidies and miscellaneous profit margin subsidies.

We have already discussed subsidies for capital investments. The other category of subsidies actually represents a kind of "balancing" mechanism used by the superior organ on behalf of its subordinate organizations. These subsidies are supposed to compensate subordinate organizations for lost profits, losses which are the result of decisions made by higher authorities. These losses are in the interest of the ministry as a whole, but in the short run they may have an adverse impact on the profitability of subordinate VMJs.

Under no circumstances should these subsidies be used solely in order to place poorly managed and well-managed VMJs on an equal footing. In our view the branch ministry should have complete control over the allocation of these subsidies. But in 1976 the national budget played a rather major role in the allocation of these subsidies, i.e., in that year subsidies financed out of the national budget accounted for 81.8 percent of all subsidies allocated by the FMVS. Even though it is obvious that the point of all this is that we should put a stop to undesirable interventions in the profit-and-loss situations of the VMJs on the part of central authorities, the authority for making these interventions should be confined to the responsible branch ministry, and this organ should have complete control over the marshaling of funds for the payment of these subsidies. The validity of this principle is substantiated by the analysis that was made of the relevant statistics for the next 2 years. In 1977 the contribution of the national budget to these subsidies amounted to only 5.8 percent, and in 1978 it contributed no funds at all to these subsidies.

On the other hand, the subsidies paid for out of the national budget under the heading "fixed-limit funds for the reimbursement of costs related to the fulfillment of tasks provided for under the state scientific and technological development plan" are entirely justified, even though this claim

...does not appear to be overly warranted in light of the funds actually allocated for this purpose during 1976 and 1977. But during 1978 we witnessed a noticeable improvement in this area.

The financial policy of the FMVS vis-a-vis its subordinate VHJs, taking into account the position of the VHJs and their general directorates as mid-level management components in the engineering industry, is graphically illustrated by Table 6 below. To some extent this table also describes the position of the trust-type VHJs and their general directorates together with all of their inherent problems.

Table 6. Subsidies Allocated to VHJs by the FMVS (in percent)

		(4) plan			(5) actual		
		1976	1977	1978	1976	1977	1978
GR VHJ	(1)	70.4	73.5	68.1	90.4	79.6	60.9
production VHJ	(2)	29.6	26.5	31.9	9.6	20.4	39.1
total	(3)	100.0	100.0	100.0	100.0	100.0	100.0

Key:
(1) VHJ general directorates
(2) VHJ enterprises
(3) total
(4) planned
(5) actual

Table 6 clearly shows that the branch ministry's finance policy toward the trust-type VHJs governs both its relations with the VHJ general directorates and, in a direct way, with VHJ enterprises.

This situation is similar to that which prevails in the case of relations between the national budget and branch ministries and in a direct way between the national budget and the VHJs that fall within the jurisdiction of this ministry.

We believe that this situation is to some extent also the result of the ambiguous economic position of VHJs, primarily trust-type VHJs, in the Czechoslovak economy.

These problems, though the most important are those that pertain to the relationship of the national budget to the VHJs and directly to the enterprises that comprise these VHJs (in principle these problems are one and the same), problems which at the present time have been partially resolved through the experiment on efficiency and quality management, are still indicative of a certain degree of vagueness in the status of the branch ministry (and hence indirectly in the status of the system of economic branch management) in the Czechoslovak economy and, at the same time, of problems plaguing the so-called middle management level of the economy.

From a strictly economic standpoint it would be reasonable to conclude that all funds allocated by the branch ministry to VHJs should be channelled

into their general directorates. However, Table 6 shows that this is not the case. The end uses of funds allocated by the FMVS to VHJ general directorates and directly to their subordinate enterprises are revealed by figures deduced from an analysis of the hard statistics for the period under review (see Tables 7 and 8).

Table 7. Most Common Spending Categories of Funds Allocated to VHJ General Directorates (in percent)

		1976	1977	1978
(1)	dotace na investice	45.9	38.2	80.9
(2)	ostatní dotace k zisku	30.7	27.2	7.9
(3)	dotace na doplnění obratového fondu	16.2	9.2	—
(4)	dotace na ostatní prostředky fondů	4.—	1.1	2.8
(5)	dotace na uhrazdu plánované ztráty	—	14.3	0.39

Key:
(1) capital investment subsidies
(2) profit margin subsidies
(3) subsidies for supplemental deposits in revolving fund
(4) subsidies for miscellaneous capital funds
(5) subsidies for the reimbursement of planned losses

Table 8. Primary Uses of Funds Allocated Directly to VHJ Enterprises (in percent)

	1976	1977	1978
(1) Limit prostředků na úhradu úkolů státního plánu rozvoje vědy a techniky	65.4	35.4	7.02
(2) ostatní potřeby účelově financované	17.1	—	0.01
(3) dotace na investice	—	42.32	19.46
(4) dotace na investice z redistribuce	—	—	69.07
(5) dotace na Rudé prapory	—	10.37	0.14
(6) dotace z redistribuce a z fondů	—	10.76	—
(7) ostatní dotace k zisku	11.0	—	—

Key:
(1) fixed-limit funds to reimburse costs associated with the fulfillment of tasks provided for under the state scientific and technological development plan
(2) miscellaneous earmarked funding requirements
(3) capital investment subsidies
(4) capital investment subsidies derived from redistribution
(5) Red Banner subsidies
(6) subsidies derived from both redistribution and state revenue accounts
(7) miscellaneous profit margin subsidies

The figures cited in tables 7 and 8 can be referred to to point out some interesting facts and to draw certain conclusions.

First, it is evident that, with one exception (capital construction during 1977 and 1978) funds were allocated to the VHJ general directorates for different purposes than the subsidies paid out by the ministry directly to VHJ enterprises.

Second, it is apparent that the subsidies allocated by the ministry directly to the VHJ enterprises during the years under review covered a wide range of spending categories.

The question arises as to whether these findings are desirable and what kinds of conclusions should be drawn from them.

It is our belief that the first finding can be welcomed as a positive development. The reasons for this assessment are as follows.

The funds channelled into the VHJ general directorates are the result of the redistribution of central revenues at the ministerial level in conformity with ordinance No 151/75 of the government of the CSSR.

These funds are used as subsidies for VHJ sectoral funds, and the relevant general directorate is legally responsible for overseeing the management of these funds and, wherever applicable, their redistribution to subordinate enterprises.

The assessment of the second finding will be somewhat more complicated. The funds allocated by the ministry directly to VHJ enterprises have a dual nature. On the one hand, we are talking about funds for strictly earmarked accounts, while, on the other hand, we are talking about expenditure categories which allow some leeway for the selection of alternatives. In the first case the VHJ general directorates obviously have no say in how these funds are to be spent and their direct allocation to VHJ enterprises is justified. This is primarily in reference to items 1, 2, 3 and 5 as listed in Table 8. In the case of the final spending category [item 7 in Table 8] we are, of course, dealing with a situation that is analogous to that described above (the relationship of the national budget to the VHJs), since the reasons for granting these subsidies have to do with the falloff of enterprise profits as a result of decisions made at the ministerial level. Nevertheless, it is our view that the VHJ general directorates should have complete control over the allocation of these funds. Therefore, we believe that these subsidies should be channelled into the VHJ general directorates.

Similarly, when it comes to those categories of expenditure which involve the redistribution of financial resources (per items 4 and 6 in Table 8), we believe that by their very nature they ought to be ranked among those subsidies which are allocated by the ministry to the VHJ general directorates.

If in reference to the above table we compare actual values with projected values, we will find that our conclusions and theoretical assumptions on this score are, in fact, substantiated by economic experience (represented by actual figures), frequently in contrast to plan projections (the exception being the 1978 capital investment subsidies derived from redistribution accounts). We also analyzed the impact of the national budget and the branch ministry on the financial position of individual VHJs in the jurisdiction of the FMVS during the period 1976-1978. This analysis too provided us with some interesting findings which supplement our analysis of the role of the branch ministry in the management system of the Czechoslovak economy.

For example, it is interesting to note that the VHJs ELITEX AND CHIRANA, i.e., the only two concern-type VHJs in the FMVS, are included among those VHJs which received the smallest subsidies during this 3-year period. In 1976 they received the lowest subsidies of all, while in 1977 they were among the 4 and in 1978 the 3 least subsidized VHJs.

At any rate, it is impossible to say whether the relatively superior "self-sufficiency" of these VHJs is a result of the establishment of the new concern-type VHJ, whether this "self-sufficiency" necessarily paved the way for the transition to concern-type VHJs, or whether it is an outgrowth of other circumstances. The only way to explain this is by making a further detailed analysis of the management practices of individual VHJs.

Assuming that the first hypothesis turned out to be correct, then from the standpoint of financial management this might tend to lend support to the acceleration of the process whereby the trust-type VHJ is being transformed into a concern-type VHJ and at the same time uphold the spirit of the comprehensive experiment which is bringing the management practices of the trust-type VHJs closer into line with the management practices of concerns, especially so in the financial area.

It was also interesting, for our purposes, to analyze the channels through which funding appropriations make their way from the FMVS or the national budget to individual VHJs, funding channels which lead both to the VHJ general directorates and directly to their subordinate enterprises. At the same time, we must, of course, remember that the total amount of funds going to the VHJ general directorate amounted to 29.9 percent in 1976, 34.7 percent in 1977, and 41.7 percent in 1978 of the funds transferred directly to VHJ enterprises from the national budget and from the FMVS.

This analysis revealed that during the period 1976-1978 VHJ general directorates received funds from the FMVS and the national budget according to the following percentage ratios (see Table 9 below).

Table 9.

(in percent)

	1976	1977	1978
z FMVS	90.8	76.7	98.2
ze státního rozpočtu	9.2	23.3	1.8

Key: (1) from the FMVS (2) from the national budget

These percentage relationships are completely reversed in the case of VHJ enterprises (see Table 10 below).

Table 10.

(in percent)

	1976	1977	1978
z FMVS	2.1	6.8	26.3
ze státního rozpočtu	97.1	93.2	73.7

Key: (1) from the FMVS (2) from the national budget

These figures are a reflection of the current status of trust-type VHJs, i.e., at a time when, as far as financial relations are concerned, the national budget maintains direct ties with VHJ enterprises as state economic organizations and separate direct ties with VHJ general directorates, which are also classified as state economic organizations. These figures also reflect the positive trend represented by the growing influence of the branch ministry in controlling the financial policy (and influencing the financial position) of subordinate VHJs (including both VHJ general directorates and VHJ enterprises).

This positive trend has already been encouraged in a decisive way by the comprehensive experiment in efficiency and quality management, in accordance with which the VHJ has consistently been regarded as a discrete economic entity regardless of its organizational and legal forms. This conclusion is fully substantiated by the findings of our studies.

The underlying principles of the Set of Measures for Improving the Planned Management System of the National Economy After 1980 also call for the building up of economically powerful VHJs that conduct all of their business in accordance with the principles of khozraschet management and also maintain relations with the national budget that are consistent with their status as discrete economic entities.

Conclusion

In light of what has been learned so far from economic theory and practice in the area of economic management it follows that during the years that lie ahead, especially so during the Seventh Five-Year Plan, it will

continue to be necessary to address ourselves to the task of insuring the uniform and comprehensive impact of all economic planning levers geared toward encouraging the fulfillment of qualitative performance indicators related to the capital replacement process.

In this article we have made certain recommendations aimed at improving the management of financial policy at the branch ministry level. We have been discussing for the most part problems associated with the development of VHJ financial resources in relation to their redistribution at the branch ministry and national budget levels. To be sure, this is only one aspect of financial policy. In a future article we would like to discuss the related problems of developing financial resources at the ministerial level and current problems of profit taxes in relation to the financing of capital construction.

FOOTNOTES

1. "Report on the Work of the Party and the Development of Society Since the CPCZ 14th Congress and Other Party Tasks" presented to the CPCZ 15th Congress by Comrade Gustav Husak.

2. Law No 62 (SBIRKA ZAKONU, 26 October 1977) on Revisions in the System of Organizational Levies and Taxes.

3. The following tables were compiled on the basis of figures taken from the statistical reports of Min. Uc. [expansion unknown] 7A-04, VHJ Uc. 6A-04 and Uc. 4A-04.

4. See footnote (b) for Table 1.

5. To some extent this also applies to profit margin subsidies, since to a certain extent these subsidies are intended as compensation for the consequences of branch ministry decisions which might have lessened the profitability of specific subordinate VHJs, but which were necessary in the interest of the ministry as a whole. Moreover, the profits earned by a VHJ also have an impact on its working capital and capital investment requirements.

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VHJ AS BASIC MANAGEMENT LINK EVALUATED

Prague HOSPODARSKE NOVINY in Czech 15 Aug 80 p 3

[Article by Jaroslav Kratochvil, J D: "The VHJ (Economic Production Unit)--Basic Management Link"]

[Text] The gradual transformation of the VHJ into a basic management link is associated with two interconnected processes. In the first place it is the formation of the VHJ as a comprehensively equipped and internally specifically integrated economic unit, and it is also the transformation of external conditions and relations of the VHJ to its politico-economic milieu, such as organizational, socioeconomic, legal relations, etc. Even though the formation of a whole framework of legal forms of the VHJ and the corresponding position of enterprises are important and certainly necessary, it must constantly be emphasized that the legal form alone does not of itself deal with the essence of the transition of the VHJ into a basic management link, because the decisive factors are the actual forms of management and their gradual transformation in the spirit of the principles applied in the current stage of development of productive forces. Connected with this is a great number of problems to be dealt with.

Problems, Opinions, Experiences

So far, neither in theory nor in practice has the position of the socialist enterprise been fully clarified, since it is ceasing to be an enterprise in the (relative) concept of an independent legal entity. Some economists admit that we do not yet have a sufficiently universal and precise designation for the enterprise as an economic category. This gradually evolving new type of enterprise will more and more be characterized by its social integrity, manifesting itself in ever greater involvement with the whole organism of the national economy, and thus not at all in its detachment as an "independently" operating unit. To be sure, problems are arising whose solution goes beyond the bounds of the enterprise. To effectively direct the socioeconomic development of society it will be ever more necessary to solve problems of matter, space and time which considerably surpass the dimensions of institutional systems organized up to now.

VHJ - Enterprise Relations

Although for several years now the process of transition to larger economic production complexes has been proceeding in all the socialist countries, the chief reason for their emergence was the solution of problems of central management, rather than the actual organization of a technical production base. That is also why the majority of various forms of VHJs usually resulted from one-time reorganizations, and mostly on the sectoral principle of homogeneous production. Even that is, to a certain extent, not a very stable basis, because with certain developments in techniques and technology the relevance to the homogeneous sector could change substantially.

I am of the opinion that, in spite of this definite tendency, we should continue to foster, within certain bounds, the concept and position of the enterprise and we should not disregard it, because the enterprise usually has very important relations with local bodies and all its surroundings which cannot always be fully replaced by "new" relations to the economic production complex. At the same time, the management of especially remote VHJs must, even with a societywide approach, deal with certain problems connected with local conditions; although even practical aspects of the management of large units dictate that certain operations will have to be left to the enterprise.

It must also be realized that with the growing number of conditions requiring the formation of their own management systems it is impossible to find specific, well-defined organizational solutions, especially with regard to legal forms. These conditions directly call for even greater diversity of the actual management structures.

Practical experiences of development up to now show that the fixed and customary concept of the management mechanism as a sum total of single bodies responsible for every specialized management function will no longer suffice, and that it will be necessary, even in spite of certain definite advantages of the functional approach, to gradually go over to a goal-oriented program of management. Thus the result will be that the object of management in the VHJ will not be mostly individual enterprises, as is largely the case now, but rather the focus of management will be shifted over to the basic and conceptual problem complex of the entire integrated VHJ. At the same time, however, it is necessary to see that the solution of ever more complicated problems of the economy does not intensify the mutual separation between individual units, and particularly that the management of economic complexes does not split off from the production base and subordinate organizations.

The gradual transition of the VHJ's organization of its management system and mutual relationships into a basic management link will be carried out by degrees so that it will correspond to the necessary changes which can realistically be made in people's thinking, especially that of supervisory workers of the enterprises, because existing organizational structures

(and especially the fading concept of the enterprise as a basic management link of the enterprise sphere) are deeply rooted in the conscience of the people and are also associated with certain prestige positions, social standing, pay allocations, occupational specialties, etc.

It is not always easy to overcome the steady influence of existing organizational systems one has become accustomed to and persuade working collectives and individuals not only to passively accept the new organizational arrangements, but even to take the initiative in inculcating them into people's thinking. That is why the transition of the VHJ to a basic management link (especially in concern organizations) also calls for timely political-economic and social-psychological preparation, systematic instruction of all workers about the reasons for and goals of the new organizational setup, and the changes in actual forms of management.

It must be admitted that so far the economic sphere has not had an adequate conception of the essence and depth of changes associated with the transition of the VHJ to a basic management link (especially from a trust form to a concern form of VHJ). The essential activity of general management must be directed toward the VHJ as a whole (not, that is, above individual enterprises). The administration of the general management of the "new" type of VHJ will not take over the activities which independent enterprises have performed up to now, but rather will deal with new tasks of a higher order, assuring high levels of efficiency in all work which the individual enterprises would not even have been capable of by themselves. Thus it would also be absolutely wrong to try to contrast the strengthening of the VHJ as a basic management link with the full utilization of the activity and initiative of enterprise collectives and intraenterprise units, because the VHJs and the enterprises must work on qualitatively distinct, though mutually complementary, levels of managerial and organizational work.

We must guard against critical observations indicating that with the standards of certain VHJs their current style of management does not solve material or specific problems, but only shifts them over to other management links, so that the VHJs are becoming places where tasks are written out and assigned administratively, often without any essential differentiation, rather than being really effectively and comprehensively dealt with. However, there should be an objective investigation to find the causes for the subjective shortcomings and inefficient forms of management, whether perhaps they are due to the general system of management or whether the general management of the VHJ has the material, cadre and financial resources to meet its new assignment.

Basic Objective

Let us, therefore, try to identify at least the main principles of the basic requirements and activities which the actual VHJ management as a basic link, must carry out:

--First of all, ensure consistent orientation toward the criterion of social efficiency;

--Goal orientation--that all processes taking place in the VHJ are directed toward the goals which are based on overall developing trends with due consideration for the actual status and potential of the national economy;

--Application of scientific-technical developments as the basic source of efficiency and future development and acceleration of the innovative cycle aimed at ensuring global standards of production and high quality of products and export capability;

--Closer and more purposeful systematic integration with the international division of labor;

--Increased flexibility and adaptibility, which means reacting promptly to changing conditions of world markets and anticipating future changes in advance;

--Fulfilling the integrating function of the VHJ in order to prevent the development of individual areas of activity in an isolated manner without mutual consistency;

--Purposeful and balanced division of authority and responsibility, especially in relations with subordinate enterprises and the conditions created to centralize critical activities (in practice one of the most difficult problems);

--Improved utilization of the human factor and effective motivation, together with the development of informal participation of workers in management;

--Effective and closer association of the handling of problems of social development of the collectives with economic development.

In spite of this clarification of the basic objective of the VHJ as a basic management link (as opposed to its former position as an intermediate management link) the concept of the VHJ as a basic level of management is not yet clearly enough formulated either in theory or in practice. But it can be said that it is that organizational level where the necessary material resources and authority capable of ensuring the development of basic factors of production are concentrated, where economic processes are directed comprehensively, and where objective conditions are developed for finalizing production, even on the level of the VHJ, where socioeconomic indicators of the plan are transformed into technical-economic indicators and composite indicators are transformed into forms of enterprise management, and where supplier-consumer relations are concentrated possibly to their original status.

Therefore, in assessing the overall work of the VHJ we cannot go only on the basis of fulfillment of plan indicators, even though that is an

important political and economic objective, but rather we must consider the criteria of substantial improvement and intensification of conceptual and prognostic activity, the efficacy and comprehensiveness of the management of investment, technical, commercial, financial and personnel policies, greater continuity and flexibility in supplying the national economy and fuller integration of social and economic development. Another important aspect is efficiency of management processes within the VHJ.

Application of Khozraschet Principles

The 15th session of the CPCZ formulated for the general management of the VHJ as a basic management link the specific task of consistently applying the khozraschet principles and a system of norms, costing and budgeting, especially in the area of intensification of intraenterprise management. This, however, did not involve any new requirement because these principles have been included in a number of documents, since the very beginning of the management of socialist industry. But it will not do to simply talk about these questions, especially in general terms. Every VHJ must immediately, according to its specific circumstances, proceed to develop and apply the khozraschet principles as a natural part of current working obligations so that the results will be accessible to every worker.

And it is precisely in the practical application of the khozraschet principles of management at individual organizational levels and in their full utilization that general management has not yet carried out its task, especially in the direct (not only methodical) management of integrated subordinate units. In this connection it appears that, with respect to concern forms of VHJs, the method of handling the concern khozraschet has not yet been fully clarified, especially the relationship between the VHJ khozraschet as a whole and the khozraschet of individual concern enterprises. We can also consider as inadequately settled the important problem of effective stimulation of concern enterprises with respect to results of the entire VHJ as well as the actual fulfillment of planned objectives.

We must also not overlook the mutual connection of forms of management of VHJs and enterprises with the development of organizational structures of the actual technical production base of industry. Even though since 1945 we have gone through several mass reorganizations, it can be said that up to now no profound analysis of the production structure of our entire industry has been made and that in essence they have been based on the sectoral principle. These one-time organizational changes involved the concentration of organizational functions and a greater or lesser centralization of certain management functions which lacked practically any character of concentration of production. That is why even at this point certain no longer desirable chance situations and aberrations persist in the actual organization of the production base and the ensuing organizational relationships (a considerable imbalance even of certain VHJs and especially enterprises, a large number of small enterprises, plants and separate operations).

Whereas economists and theoreticians in nonsocialist countries are forever seeking the best or even "ideal" organization, nothing like that is being attempted by either the theoretical front or in practice in socialist countries. That is to say, here we maintain the necessary dialectical-materialistic approach toward seeking optimal organizational forms and the corresponding styles of management as a matter of continual development and progress connected with the expansion of the material base and productive forces of the socialist community.

Experience so far with the transition of the VHJ to a basic management link indicates, however, that even with the existing legal basis in the form of the concern or sectoral enterprise, it will undoubtedly be quite a long process, depending particularly on the creation of conditions for a basic change in existing forms of management. It also appears necessary to examine more closely and evaluate the relationship between the size of the economic production complex and effective forms of their management from the point of view of exercising practical control, a factor which cannot be underestimated for attaining optimal operational results. This depends on a precise definition of the extent of necessary general or operational activity in order to prevent dilution of the conceptual comprehensive management functions of the VHJ. According to the concept of the VHJ as a basic management link, operational activity should be performed here only -

--if it is required to implement societywide interests;

--if it is necessary to support the integrity of the VHJ system of management;

--if it facilitates more efficient performance of certain (especially joint) activities at the VHJ.

The Influence of Legal Forms

The requirement set forth at the 15th session of the CPCZ that the VHJ become a basic management link undoubtedly corresponds to current trends of organizational development in all socialist countries. It must, however, be stated that this transformation of the VHJ was at first primarily connected with the question of the most suitable legal form of the VHJ for which the sectoral enterprise, and particularly the concern one, was designated. Experience has shown, however, that the essence of the shift of the VHJ to a basic management link depends primarily on a basic change in management forms and a more effective mutual division of authority and responsibility among the ministry, general management and the enterprises according to the various specific conditions of individual sectors.

It was also gradually recognized that with a certain modification of the legal form of the trust (such as that with experimental VHJs) the trust, too, could become, also with a certain change in its management system, a basic management link (particularly with the broad spectrum of the sector

or diverse character of subordinate units). It could be characterized thus--that with constant pressure to raise management standards in order to achieve full efficiency the enterprises should probably reach the level of the former well-managed VMJs, while the VMJ as a basic management link should, from a societywide and comprehensive point of view, go over to a qualitatively higher form of VMJ management as a whole.

The intent of this article was to point out the urgency of solving a great number of problems concerning the position of the VMJ. In this connection the provisions of the Set of Measures for Improving the Planned Management System of the National Economy After 1980 are welcome suggestions since they incisively clarified the position of the VMJ as a basic management link and the corresponding position of the enterprises. At the same time this problem complex is considered also from a necessarily different objective and time interval.

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SOCIOECONOMIC COMPONENTS, CONTRADICTIONS OF STRUCTURAL CHANGE VIEWED

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 7-8, Jul-Aug 80 pp 797-813

[Article by Jozsef Bognar, director of Research Institute for World Economy: "Socioeconomic Components and Contradictions of Our Structural Change"]

[Text] The 12th congress of the MSZMP raised to the rank of national action that economic policy conception which matured in the course of past years concerning a structural reordering of the Hungarian economy. Its maturation was made possible by a careful analysis of the external and internal situation and of the economic relationships which represent possibilities for and limitations on rational economic action, and by the conclusions and debates which followed this analysis. The credibility of some of the more radical conclusions was reaffirmed by those negative results and experiences which the economic leadership achieved or acquired by their habitual or symptomatic treatment of the new problem world which has developed since the world economic change of epoch. The signs are that this shock effect was needed in order for the economic leadership to be able to break with a few conceptions and methods, which have been overtaken by time, which in the preceding decade still represented a source of many economic achievements and successes.

Naturally this economic conception has not yet been transformed into a program encompassing an action system and mutual relationships and effects which would solve (from above!) all of our developmental dilemmas. (In any case it is probable that it is not possible today to prepare a medium-range program which would solve every dilemma "from above." But even if it were possible it would not be rational because on the basis of uncertain hypotheses it would tie up too much economic energy and thus would make difficult an adaptation to the changes in a period in which development has accelerated and the effects on us of events cannot yet be known clearly because their effects have multiplied.) The resolutions of the congress, however, indicate those basic principles and behaviors (individual, enterprise and economic leadership behaviors) which constitute preconditions for restoring the balance and for a more advantageous adaptation into the world economy. The resolutions have stressed certain

fundamental goals and preferences to which other action--in so far as economic conditions make it possible--must be adjusted. The congress adopted as useful and progressive in regard to the future those methods and components of economic thinking and analysis--supplementing or replacing earlier ones--which constitute the value judgments needed for formulating the conception. Finally, it established and emphasized that the rational action system included in the conception--which arose from an objective analysis of real economic relationships--represents even theoretically a further development in the self-development of the socialist society and economy (appearing in the form of concrete relationships).

It is well known that the development of a new economic policy conception was made unavoidable by a number of developments and requirements which appeared simultaneously and involved both similar and contradictory effects. I would like to stress three of these centers of effect or motivating forces.

Concerning the Intensive Type of Economic Development

A switch to an intensive type of economic development has become necessary and even unavoidable. Such a switch can be initiated even at a time when the extensive type still functions relatively satisfactorily but when a careful and profound scientific analysis indicates that we have already passed the peak. From the economic viewpoint this moment is the most favorable for the gradual introduction of changes but difficulties are caused by the fact that economic policy public opinion is not yet convinced of the unavoidability of the change and so resists it or holds it back. The switch could have had this character here if we could have grown into the present "reform epoch" by an organic and gradual expansion of the frameworks of the mechanism reform.

In the present situation, however, neglecting the switch would lead to economic collapse because due to the prolongation of the extensive growth type and in the course of it there have arisen balance deficiencies which cannot be liquidated in this form of growth, indeed they are created anew in an expanded form. The intensive growth type, however, has different driving forces and so the movement system of the society and of the economy must be ororganized in such a way as to permit the implementation of these driving forces. Of these driving forces we should mention needs satisfaction requirements (instead of a shortage economy), the technical development, rationalization and innovation tied up with structural change and the external economy.

Experience proves persuasively that needs satisfaction is not only a quantitative and qualitative problem but also an organizational problem of an economic policy nature because the vertical profile of our producing enterprises is unjustifiably narrow and to a large extent operations and activities suitable for offering services are missing from the economy. Such a situation could develop because the economic organizations here were built

up "downward" exclusively from production and never "upward" from needs (the market and sales). Similarly, the technical development tied up with structural change and a swift product change demands not only a transformation of the "product structure" but also presupposes substantial social policy changes.

It must be emphasized in connection with external economic factors that they play a growth encouraging role in every economy now, from the side of both import and export. The Hungarian economy was not sufficiently prepared for this organisationally. Since the world economic change of epoch, which extraordinarily strengthened the system of mutual dependencies and determinations among economies, the system of interdependence, we will have to develop in our economy capabilities and properties in regard to our link to the world economy which only "competition economies" have had thus far in the development of economic history.

(The reference to "competition economies" means that, as in the past, socialist economic science rejects that interpretation of competition according to which it is an automatism of the economic cycle which selects among economic units in the interest of the common good. Since the second half of the 19th century such an interpretation of competition or of a competition economy has changed even in capitalist economies because counterpoles to free competition [cooperatives, associations, trade unions, etc.] and organizations striving to put an end to competition have come into being.)

There can be no doubt that with the development of the socialist economy in past decades the idea of the unavoidability and even positive nature of competition has won ground in connection with supplying the populace with consumer goods.

The increasing significance of external economic factors brings up the necessity of providing to our economic undertakings on the world market those conditions and supports on the basis of which they can compete successfully with those undertakings behind which stand the flexible mechanisms of the capitalist economy.

Concerning the Effects of the World Economic Change of Epoch

The world economic change of epoch represents and will represent in the future also the second center of effect. By world economic change of epoch I mean the totality of those epochal, fundamental economic and non-economic (demographic, social, political, scientific, international, etc.) changes which will decisively influence the living conditions and economic circumstances of mankind in the decades ahead. Of these fundamental and epochal (long-range) changes I am thinking primarily of such things as the new relationship between man and nature (a symbiosis on the basis of modern science and technology), the limits and uneven distribution of natural resources in an interdependent and very sensitive world, the problems of feeding the world (in the form of an approaching crisis), the danger of technology (for the first time mankind has a technology with which it could

destroy the conditions for its own existence), the arms race which takes the form of "mutual terror", the backwardness of international political and economic relationships as compared to the general interdependence and problems of a world scale, etc. We can say without exaggeration that even in the decade just behind us mankind entered the epoch of extreme alternatives.

These enormous changes are not only economic ones; they extend to the entire area of human-social and international relations. This will mean a new scientific challenge and it will gradually mature new modes of thinking. This is absolutely necessary because if we relied on our old methods and our old knowledge we would be incapable of adequately understanding the new relationships.

Naturally certain components and manifesting forms of these enormous, epochal and fundamental changes already appear in present economic relationships. Let us only think of the price explosion (price revolution) and of inflation as persistent phenomena of the economies appearing in a new form, of the serious balance deficits, of the decrease in the rate of growth, of the shortages appearing in resources, of the increasingly anarchic phenomena of the international financial system, of such threats to international economic contacts as the American embargo and similar things.

The long-range and fundamental effects of the world economic change of epoch also mean for us that in the course of conversion to the intensive development type we can develop only goals (or goal systems) which are in harmony with the requirement system of the change of epoch and we can select only those methods and forms of action aimed at attaining them which are not antagonistic to this powerful requirement system.

The Problematics of the Balance Deficit

I want to mention the economic balance deficit as the third of the centers of effect. Several factors have contributed to the development of the balance deficit, including:

--the circumstance that in the course of the economic cycle we generate a greater demand than we produce the conditions (assets) for satisfying it;

--the overestimation of the ability of the state budget to bear the burden;

--the swift growth of import needs in the course of switching to the intensive development type;

--the development of the international terms of trade in a way unfavorable for us; and

--the lag behind what is required of capacity suitable for economical export production.

There is a unique action system to put an end to the balance deficit. In the beginning the factors of the necessary action are more or less of a limiting character because putting an end to the deeper causes generating the balance deficit requires a longer time and coordinated action. The unavoidable limitations must be applied with great circumspection and after careful consideration lest our temporary regulations hinder the development of those energies, capabilities and capacities with the aid of which the balance could be restored over the longer run.

Weighing, on the one hand, the extraordinary importance of the internal and external interests attaching to a more perfect functioning of our own society and economy and, on the other hand, the elemental strength, intensity and persistence of the currents flowing from the great centers of effect mentioned, it is obvious that our tasks in connection with a structural reordering of the Hungarian economy are extraordinarily great and complex.

What is involved is not a simple switch-over or the elimination of merely temporary problems; rather, what is involved is a radical transformation of the functional, action and guidance system of the Hungarian economy so that it should be capable of a flexible accommodation to the swift changes of uncertain sign which can be expected later. It is obvious, however, that transforming the functional, action and guidance system of the socialist economy to adapt to the new requirements is not only an economic question but also a social, political, cultural, scientific and ideological (systematic) problem.

The Present Phase of Reorientation as Compared to the 1968 Reform

It could be especially instructive to compare the breadth, depth and substantive problems of the social actions necessary to realize the present economic policy conception to the factors set in motion in the course of the 1968 reform. In the economic history sense our economic reform of 1968 was of outstanding significance in the history of socialist management.

This reform gave full recognition to the significance of economic relationships as opposed to a conception of the economy which was projected from a vision (a vision of the future). (Let me note only in parentheses that it thus gave back the true object of economic science--an analysis of real economic relationships and interdependencies. It is thanks to this that since 1968 Hungarian economic science has achieved even internationally recognized results, has developed new methods and encouraged the development of schools.) It was also an important starting point that it replaced the hierarchic system of individual interests' group interests and general social interests with a conception of interests in which these types presupposed and complemented one another thus making it possible, under appropriate economic conditions, for individual and group interests to become driving forces for the realization of the common interest. There was also significant effort to put an end to the shortage economy and to satisfy needs more fully by means of competition and material interest. Special

mention must be made of that sphere of measures which the reform took in the interest of economic undertakings for only within this framework did the enterprises become economic units instead of branch departments of the ministry.

One could continue at length a list of the achievements of the 1968 reform, but this is not the subject of this study. There can be no doubt, however, that the 1968 reform deliberately concentrated only on the problems of the economic mechanism (the guidance system) while it affected questions of economic policy or the institutional system only indirectly. There were decisive political reasons for this. Later, many criticized the "one-sidedness" of the reform, pointing out that it would have been more correct to introduce a more complete reform (embracing economic policy and the institutional system as well). I do not want to start a debate with the critics; but the idea that the introduction of a more complete reform would have been more correct does not mean that in the situation at that time the introduction of such a reform would have been possible or even useful. (Let us only think that after 1968 the scientific efforts and preparations taking place in the interest of economic reform (froze solid for a few years everywhere!)

What is now essential from the viewpoint of a comparison is that the action zone and depth of the present economic policy (strategic) conception will be substantially greater than that of the 1968 reform and the changes to be expected will extend to economic policy (including foreign economic policy) and to the institutional system too. Even by itself entering the intensive epoch means economic policy changes but the requirements of the world economic change of epoch also strengthen the quantity, intensity and quality of the necessary economic policy changes. Because of the external economic character of the new economic policy conception--which is strengthened by the new circumstances (for example, the increased interdependence) defined by the world economic change of epoch--the abilities, foresight, flexibility, decision and reaction speed, etc. of our institutional system will become part of the economic competition taking place on the world market. I will return to this question in this study; in this place it is enough to emphasize that under such circumstances a reform of the institutional system can no longer be postponed.

I would like to point out one more essential difference in connection with a comparison of the 1968 economic reform and the present economic policy conception (which has been accepted in its basic principles). The "degree of freedom" of the 1968 reform was much greater because we had to contend with fewer constraining factors. The economy was relatively balanced--although the balance was at a substantially lower level--we did not yet have any significant foreign debt, our foreign economic dependence was smaller, our supply of energy and raw materials seemed assured, the world economy still enjoyed its "golden age." At present, however, we can rationally choose only the economic policy conception formulated in the guiding principles; our alternatives are to be found within this conception.

The Transformation of the Basic Principles and the Guiding Principles into Social Action

The chief task in guiding a socialist society and economy is to transform the various basic principles, guiding principles and aspirations, taking into consideration the interest relationships and structures and with an awareness of the real social-economic relationships and the trends to be expected in the future, into an interdependent system of social movements which will finally lead to attaining the desired goals.

But in the course of outlining the social-economic movements we must always reckon with the fact that the relationships socially created and the relationships economically desirable do not coincide. The reverse is true also--it can be imagined that a different sort of economic relationships and situations might be more desirable from social, political, security, cultural or ideological points of view.

When working out action programs, however, a full awareness of the real social-economic relationships is needed and these relationships must be analyzed in their dynamics. In every sort of political system the social-economic relationships have more flexible components capable of greater changes and they also have more static, more conservative and more rigid elements. Naturally, these factors deriving from the real relationships must be taken into consideration when working out action programs.

The question arises: Is contemporary socialist economic science capable of transforming the various scientifically founded basic principles and aspirations into a system of social movements while taking into consideration the interest relationships and structures?

The best abilities and methods of economic science find expression in a system of adequate information about economic reality, relationships and interdependencies. Naturally, the relationships, circumstances and situations themselves change too and thus their nature, character, effect and linkage systems are transformed also. Experiences become more numerous, methods of examination are refined (this refinement takes place in the internal workshops of science) and there are changes in the world surrounding the economy. But these changes do not change the fact that the primary goal of economic science was and is a recognition of economic relationships in the dynamic sense.

This knowledge--as in the case of other branches of science--is abstract (to put it more precisely, it has the character of being abstractable); that is, it starts from the hypothesis that only economic factors influence economic relationships and processes.

(It is well known that the starting point in political economics--in contrast to this conception--presupposes a basic analysis of political, social, cultural, etc. factors too. But the practice is different. In recent decades there has hardly been a work in economic science which examined the

economic situation in conjunction with politics, the capabilities of the social structures which have developed or the concept of public opinion in a dynamic way, in the midst of action.)

From the viewpoint of action this hypothesis is of an abstractable character, but it has great significance; for it means that economic relationships can be changed only with the aid of methods which are in harmony with these relationships. This statement is of special significance in the case of political systems known for their desire for action, their optimism and their strong value systems because they are often inclined toward a "transformation" of the economic relationships dynamically interpreted by means of administrative (state administrative) methods which usually leads to the development of serious economic situations and the forced actions which follow therefrom.

This is not a new phenomenon historically because the development of the modern economy was preceded by centuries in which there were not yet any independent economic relationships. The first economic theories (cameralism and mercantilism) felt that intervention in economic life by the state using non-economic (administrative-power-public administration) methods was necessary and rational. Classical economic science was born in the intellectual struggle against these ideas; classical economics attributed self-regulating forces to the internal movement relationships of the economy which led to the realization of the common good.

According to our conception, however, intervention and guidance are needed in addition to an adequate knowledge of the economic relationships. In the event of intervention and guidance, however, an adequate knowledge of the economic relationships is not sufficient because economic and non-economic factors are mixed together in the real conomic processes and phenomena. In such a case the economic phenomena do not appear in their original forms; they have other properties, effects and abilities to receive effects. For this reason contemporary economic science, and even more so the economic science of the future, must move on to multi-disciplinary methods, for without these guidance and influence are not possible.

The activity groups (state, social, security, cultural and ideological) mixed with the economic phenomenon world have their own conceptions, value relationships and (within the structure) institutional centers. These conceptions, values and (institutional) interest relationships can further or hold back or reverse the realization of economic policy conceptions. Thus, the approach to economic problems on an interdisciplinary basis must give an answer to the question of whether the movements and behaviors characterizing the institutions and activities most interdependent with the economic conception will further or hold back the realization of the economic policy goals.

To speak more precisely and more practically, is it possible and in what way is it possible to transform the movement of the various activities, institutions and value systems so that they will aid and further one another, solve similar tasks in a more coordinated and more cooperative manner

(for example, the problem of intensive department means a new situation and new requirements not only for the economy), harmonize in time and in content their mutually supporting efforts and mitigate the possible conflicts? These requirements prove that it is not enough for economic science to become multi-disciplinary; it is also necessary for the other branches of science (legal and state science, sociology, defense policy, educational policy, ideology and science policy) to find linkage points leading to the economy. They must strive with common and coordinated research, a harmonization of conceptions, debates and agreements to concentrate the actions of the various sciences and institutions on the attainment of the chief social goal or goal system.

In what follows I would like to illustrate with a few examples what sort of clashes and conflicts could be caused by the economic policy conception adopted in the resolution of the 12th congress and what transformations are made necessary in order to transform the basic principles accepted into social movements. I would like to emphasize, however, that the clashes and conflicts are potential ones, that is, they can be mitigated in the event of rational action by those interested. In our structure conflicts among conceptions are generally "hidden" because those participating in the action can follow the "customary" (previous) logic and reflexes of their institutional system without anyone objecting or taking exception to it. But conflict does occur--by the nature of the matter--if one of the actors proceeds in a customary but obsolete way.

Clashes and Conflicts in the Course of the Transformation

It is difficult to "discover" conflicts because most people feel that customary action is conflict-free a priori and in general, although such a judgment depends on the situation and the time.

Clash Between Ideology and Economic Policy Aspirations

At the time of the socialist transformation ideology represented a form of the political struggle against the internal and external enemies. After the building up of the socialist society and the development of its structure ideology can become a form for recognizing and analyzing reality which encourages society to recognize new problems and solve them in a modern way. This possibility has not been realized here, for which there are various reasons--connected with the peculiarities of our development. Since the ideologists and other theoretical experts had not developed a picture of the present on the basis of an analysis of concrete relationships but rather by projecting on the present various elements of a picture of the future it was obvious that the renewal of socialist economic science (after 1953) had to take place without them, indeed with their silent or vociferous resistance. In what followed an antagonism and mutual distrust arose between the economists striving for a concrete analysis of economic relationships and the ideologists who were building a present out of a picture of the future; it followed that some of the theoretical experts were

inclined to recognize as ideologically justified only the changes which had already taken place. The situation was made worse by the fact that the non-economists (political, security, cultural and council experts) got their economics culture from this stratum.

The antagonism which has arisen between the economists starting from an analysis of economic relationships and the cultivators of theory largely frustrated or made possible only at the cost of much loss of time the introduction of economic reforms which were due. It is obvious that in a "competition economy" we cannot permit ourselves the loss of time which would result if a reform could be introduced only when the conservative (rigid) solutions have precipitated a shock effect by their partial failures. I would like to emphasize that we are anxious not only and not even primarily for the reforms, because according to experience they must be realized in any case as soon as the solutions opposed to the economic relationships fail, at least in the form of a crisis.

It is primarily the socialist economy we are concerned about lest, as a result of clashes within its structure, much time is lost in an epoch when competition (the critical situation) is again putting the national economies to the test and when development has so accelerated that the loss of a few years could be fatal.

Clash with the World Economy

In what follows I want to deal primarily with those clashes and problems inside and outside of the economy which are connected with the inclusion of the Hungarian economy--and naturally those of the other European socialist (CEMA) countries--in the world economy from the export side. (In earlier articles I have already noted that this inclusion from the import side already took place in the 1960's.)

Fitting into the world economy from the expert side is a difficult economic and social problem in itself because it makes necessary the discovery of new energies and driving forces and the development of new capabilities. Today, however, this fitting in must be realized in the complex, contradictory and uncertain condition system of the world economic change of epoch.

Adapting to the new world economic conditions is a complex task even for those technically and scientifically developed countries with great material resources and reserves which are not only included in but even influence the world economy.

We must calculate that due to the brake on the dynamics of economic growth the growth in foreign trade and in imports will slow down around the world. As a result the competition for markets will sharpen to an extraordinary degree. Two types of economic strategy danger threaten us, the Hungarian economy, in this competition. The first danger consists of the

fact that the technical development of the capitalist countries and the transformation of their scale of needs will be faster than the improvement in the modernness of our export structure and export products. This would mean that the profitability and economicalness of our export would stagnate or decline. This situation, naturally, would mean a deterioration in the terms of trade since the prices of fuels and raw materials will increase further--with cyclic variations and temporary price reductions arising from over-speculation--and the most developed technology will be increasingly expensive because the producers of it will be striving to make up the losses they suffer in the import of energy and raw materials. The second danger consists of the fact that the developing countries are making great strides on the world market--especially in the export of finished products. This process is justified economically even if it sometimes takes extreme forms. But it is possible (or more precisely, it can be imagined) that this conquest will take place--in part--at the cost of the socialist countries. The objective conditions for this are given because the affected part of the population of the developing countries making advances in the export of industrial articles is learning rapidly, they have or can easily obtain the raw materials, costs are lower (due to the low level of wages), and the developing countries enjoy many preferences on the markets of the developed capitalist countries.

Naturally, in the event of a clever and active trade policy the potential competitors could become cooperative partners.

But it is questionable whether we can find the organizational and cooperation forms which would be sufficiently advantageous for both sides (to be more precise, more advantageous than other possible solutions) and offer sufficient protection against the consequences of temporary political tensions and cyclic changes.

Concerning the External and Internal Components of World Market Competition

World market competition extends to very many types of interdependency, including:

--recognizing (forecasting) in time the needs, situations and possibilities and decisions which will transform the recognition into social-economic action;

--the technical level, quality, prices, variety, the primary materials used, the abilities and experience of the labor force, accommodation to the special needs of the customer, delivery time limits, reliability (reputation), follow-up supply, service and other services;

--marketing (sales) innovations. (I think that it is not necessary to prove that innovation, the modern and the backward, are possible in marketing methods too and that marketing methods have a strong effect back on production.)

If world market competition extends to so many types of factors and interdependencies and if our economic development depends to such a significant degree on its development then it is obvious that the real competition takes place not only in regard to goods and services, prices and quality, modernness and accommodation to the needs of the user (customer) but also between those national economies the dynamic capabilities of which are reflected by the aforementioned goods and services. Under socialist circumstances this interdependency is open and direct; in the case of capitalist countries it is more transposed and less direct. (In this study I do not want to go into an analysis of the differences and deviations in connection with this because they do not affect the message and conclusions of this study.)

Speaking of national economies I am not thinking in this connection primarily of the material goods created thus far and accumulating in the course of development but rather of those dynamic capabilities the level of which is reflected by the goods and services appearing on the world market. I mentioned dynamic capabilities because great significance must be attributed to the tasks set by situations and requirements because it is obvious that there must be a harmony between capabilities and tasks. The dynamic capabilities of national economies derive from a broad background; they include those components, interdependencies and mutual effects of social, political, cultural and ideological capabilities which are connected to the economy.

In addition to the significance of interdependencies and mutual effects one must also emphasize that naturally the capabilities mentioned have functions, situations and effects which are independent of the economy too, and vice versa; components which are not "purely" economic play a substantial role in the development of the capabilities of national economies. But the interdependencies and mutual effects are not limited to those cases where the capabilities mentioned (social, political, cultural and ideological) are put into motion in connection with economic questions; they also exist (in an indirect form) at times and in situations where these capabilities are being expressed within the framework of their own immediate functions. It is also obvious that the goals, tools and structures created to take care of the immediate functions also have an effect on the social fitting in of the economy. Naturally social activity is a substantially broader and more complex concept that the economy because a society also has non-economic functions, movement systems and aspirations. But it is obvious that the basic principles and structures, or the concrete movements thereof, adopted by society in the form of the political system, have, in the interdependencies and mutual effects of social activities, a strong influence on the place and role of the economy in society. The education and training system has a great effect on the abilities and preparedness of the labor force; the guidance and decision system defines the zones and frameworks for economic movements; the order and development of scientific research influence the innovation capabilities of the economy. It is obvious that the level of development and the zones of the information systems influence the ability of the economy to survey the expected development of world economic processes.

The foreign policy movement scope of a state and its place within the international political system substantially influence the foreign economic possibilities of each national state.

These references to interdependencies and mutual effects--far from complete--also prove the correctness of the proposition that national economies participate in world market competition not only on the basis of economic capabilities and processes in the stricter sense. Via the economy or via the effects (mutual effects) on the economy the competition is participated in by all those social, political, cultural and ideological activities (factors) which set or influence the frameworks, zones and conditions of the economic processes. This proposition should be supplemented by noting that different economic power relationships and developmental levels stand behind the competitors appearing on the world market. It is obvious that a small country with relatively limited economic strength--having a small share of the market--is not able to influence world market conditions or supply-demand relationships, is not able to acquire new markets or offer to its customers the advantageous credits needed to force out competitors. From the strictly economic viewpoint undertakings or economies at a middle technical level have a disadvantage to start with as compared to their competitors with greater economic and technological power. They must make up for these disadvantages in those spheres and activities which are in large part not strictly economic. These include greater flexibility, which depends on the action zones guaranteed to the economy; the ability to make speedy deliveries, for which suitable free capacity and swift decisions are needed; better preparedness and capabilities of the labor force, which depend on the education system; better innovation capabilities, which depends on the information flow of society. On the basis of what has been said it is obvious that in strengthening the competitiveness of the Hungarian economy greater significance attaches to the non-economic components of competition than is the case for countries and undertakings which are economically stronger.

Factors Endangering Our Competiveness

In what follows I would like to speak about a few components of the functioning of our economy and of the social condition system defining it which especially endanger our competitiveness in the world economic or world market sense.

a. As is well known, our economic organizations were formed in a period when we did not yet have sufficient experience, when we did not yet know the nature of socialist economic relationships and when, as a result, the projection of the picture of the future still played a crucial role in the development of the organizational forms. The projection of the picture of the future was accompanied by an underestimation of commodity, money and market relationships and by a schematic interpretation of the role of production. As a result the economic organizations which were created were centered on production; they did not recognize needs, the market, the

marketing possibilities as the starting point for economic organization; they were organized horizontally (and not vertically). In addition, there has been a revolution in the theory and practice of economic organization in recent decades which, naturally, was only accelerated by computer technology.

Thus one of the crucial conditions for maintaining or improving our competitiveness is the development of organizational forms which are in harmony with modern organizational principles, technology and marketing methods.

b. We excessively tie down production capacity at the beginning of the (medium or short-range) economic periods. This phenomenon is interdependent in part with the shortage economy psychosis and in part with a schematic (false) interpretation of planning and economic security. Shortages lead to the logical seeming conclusion that all capacity must be used to a maximum in order to overcome them. But this argument would stand up only if capacity and needs coincided. But in our case a significant part of the shortages can be attributed to the fact that we do not have economic organization units and forms suitable for satisfying the broad range of demands on the service and commodity market. The full burdening of production capacity makes the economy inflexible and insensitive to changes. In addition, there is an attempt to more completely burden capacity not only in regard to plants producing finished products (assembly plants) but also in the entire vertical structure producing semi-finished goods, subassemblies and parts.

It is obvious that foreign economic organizations backed by such an inflexible production background cannot be capable of flexibly satisfying world market demand (adjusting to the competition in delivery times and other respects).

c. As a result of the state guidance of the economy our decision making system is slow, through-put times are extraordinarily long, the decisions are made at a very high level far from the real economic processes and there is much parallelism and duplication in them, which washes away the responsibility not only of the individuals participating in the decisions but also of the institutions. After the beginning of the plan period the organs making the decisions do not have at their disposal either real material assets (credits and capacity) nor manpower. According to their subject the decisions are economic ones but according to their motives they are not because the organizations making the decisions are not acting under the influence of economic relationships; they do not have the interest, they cannot make a profit, they do not undertake risk, and at most they have only a moral interest in the outcome. It is obvious that such a decision making system does not aid but rather holds back the work of those economic undertakings which must participate in the world market competition. For this reason the decision making system must be re-examined--keeping in mind the economic requirements and conditions.

d. In the past the political-ideological requirements and the expectations of public opinion encompassing and influencing the economy did not always ensure to the economy the movement scope needed for rational action. In the course of our economic development thus far the rational action (naturally in the dynamic sense) based on economic relationships was not always in harmony with the various political-ideological requirements and social expectations. These requirements and expectations derived from a projection of the future and not from an analysis of the economic relationships and possibilities. These requirements and expectations represented limitations, prohibitions and forced situations for economic action. Thus, in the course of development, there often occurred steps which were hurried or which went beyond the real possibilities--from the economic viewpoint--and these produced deficits, balance problems and "lost profit" (profits which were missed).

(Most recently this has happened primarily when cautious economic leaders, fearful of a temporarily or locally unfavorable political judgment, postponed taking steps which could have led to considerable profit.)

From the nature of things there are there will be in the future "politically sensitive zones" for economic action. But it would be a serious mistake to think that in the event of a clash or apparent clash of political and economic interests the economy must automatically give way and make concessions--under the consolidated social relationships. In a consolidated society political aspirations can be successful only if they are economically well founded and supported. On the other hand, in the event of balance deficiencies and the inadequate functioning of the economy the needs of the populace and of the economic cycle cannot be satisfied and sooner or later this will lead to political complications.

In our day the opinions and ways of thinking about the relationship of politics and the economy are more realistic but for this very reason we must remember that there will be politically sensitive zones for economic action in the future (in the decades ahead) so it seems proper to predict and clarify these problems and situations--with the aid of appropriate scientific research.

Concerning A Few Non-Economic Components of Economic Development

In conclusion I would like to talk about a few non-economic factors of economic development. If our relationship to the economy is to come closer to what is desired there is need for a rethinking of the possibilities and limitations hiding in the nature and movement system of the non-economic factors too.

There is an especially burning need for such an approach today when economic development has become so complex and contradictory, when epochal changes are taking place in the world economy and when the dependence of our development on that of other economies has reached a magnitude never before known.

Among these factors I would like first to touch on questions interdependent with the state guidance of the economy.

The abolition of the direct plan directive system represented a gratifying turn in the relationship of economy and law; from the nature of things this system had placed the coercive elements of the law in the foreground. Since then we have found that the more developed (and more complex) relationships which have been created have given room for a more progressive interpretation and functioning of the law. (Naturally, I am thinking of legal questions interdependent with the economy because this is interdependent with what I have to say.) But to a significant extent the guidance of the enterprises is realized amidst state administrative forms--via regulations. It is a peculiarity of the situation that we--unlike other socialist countries--do not have middle level guiding organs. At first approach these middle level guiding organs appear desirable economically because in this way the regulation of economic processes would be realized via economic organs. From the side of law this situation is called "decentralization." But if we go more deeply into this interdependency we see that the middle level guiding organs embody a very great, bureaucratic--monopolistic--economic power and not only do they endanger enterprise independence but also they prove slow and clumsy in satisfying needs, in adapting to changing conditions, in flexibility and in the speed of their decisions. In addition, they are not built "upward" from the economy but rather are built "downward" from state administration.

There can be no doubt, however, that state guidance of an accelerated economic development and model oriented toward the world market raises many objective problems. In the present situation, and in the decades ahead, we can only start from the following:

a. the economy today is a source not only of possibilities but also of internal and external dangers;

b. in this situation not a single essential question can be solved with the old approach; and

c. the guidance, leadership and decision making system must adapt to the nature and situation of the economy and to the requirements of competiveness.

Starting from these basic principles it seems justified to re-examine the relationship of state guidance and the economy, making use of joint scientific efforts and interdisciplinary methods. The question arises: How can one, indeed can one at all separate statehood, in the political and economic sense, so that the decision making and guidance system will accommodate to the nature of the economy while maintaining the unity of the state or statehood?

The Tasks of Education and Training From the Economic Viewpoint

It is well known that in certain areas and tasks labor and capital can rationally replace one another. Foreign studies prove that there is a weak

correlation between productive ability and intelligence. It is obvious that in countries poor in capital and raw materials a highly qualified labor force (that is, one with the best capabilities) can have an especially great role in structural change, in technical development and in adapting to the international economic circumstances. It must also be noted that building up mechanized systems for certain intellectual work, operating them according to needs and possibilities, understanding complex world economic interdependencies and surveying the interdependencies and mutual effects among various activities require more not only quantitatively but also qualitatively.

These requirements suggest that it would be justified to review in a comprehensive way our education and training system from the economic viewpoint (that is, from the side of social needs).

The social-economic role of education can be formulated in different ways. There are those who stress that the diploma (the training) is proof of having acquired professional knowledge and gives one title (the right) to filling higher level positions. Others--this is a rare formulation in socialist countries--regard education and training as a selection (filtering) tool even if the selection is not tied to excessively high or firm requirements. I feel that the most modern formulation, the one most useful from the viewpoint of society, is that the chief task of education is to develop those abilities and talents which will make it possible for the members of society to be able to act and live rationally with the accelerated development amidst the increasingly complex political-economic relationships. The development of abilities and talents represents the only humane and rational possibility for a highly trained labor force to renew itself and others in thinking and behavior through four decades (the time served after winning a diploma) amidst the conditions of accelerated development, the swift obsolescence of information, the increasing social mobility and the change of generations which is accompanied by significant tensions. This also means that it is not useful to choose a career too early (at the age of 14 years) and that we must build within the school system channels which link one system to another.

Special care must be given to the free unfolding of abilities. The socialist society and economy will need more and more creative talents who think independently, and understand the relationships surrounding them in order to overcome their historically inherited backwardness and adapt in a modern way to the changes of history, world politics and the world economy.

Naturally the education of talent cannot be the exclusive viewpoint in a socialist society and education system. In addition to ensuring equal opportunity care must be taken--for humanitarian and necessary reasons, in accordance with the nature of the system--to protect and aid the weaker. An atmosphere made more creative by those with talent can help even the mediocre to rise to a higher level.

In any case, from the viewpoint of the economy it must be emphasized that it is not possible to stand one's ground in the economic competition without creative, enterprising experts ready to take risks and thinking in a combinative manner!

A New Place for Science in the Social Structure

The role of science must be conceived of in a new way in a system of new economic and social structures and needs too. No longer can the task of science be limited to the mere development of knowledge, explaining and interpreting the situations which have developed or proving the coherence of various theories. Its chief task is the preparation of action systems serving the interests of society. There will be much greater need to carry out this task than there was earlier when sensible routine actions could still be useful. Now we stand before an age in which we must approach the phenomena and interdependencies which have developed in a creative spirit because they differ from former ones in their components and effects. Cooperation in the preparation of action systems--as I have already said in my comments on economic science--will require the development of interdisciplinary methods, not only among the several branches of the social sciences but also between the social sciences and the natural sciences. In the solution of social-economic problems one must always consider the entire range and effects of problems extending from the symbiosis with nature through the geological location of raw materials to the increasing application of technology. In addition, the utilization of the achievements of natural science and technology raises very many social-economic problems which appear not only in the industrial branches (economic branches) cooperating in their application but also in problems interdependent with the fundamental operational conditions and order of value of society and the economy.

Taking into consideration that we must maintain ourselves in the world economic and world market competition and the fact that the conditions for so maintaining ourselves depend primarily on science, we come to the conclusion that in the decades ahead science must play an orienting, renewing and creative role.

It must know, directly and indirectly, the needs of society and it must help in planning the actions directed at improving the situation. It must also be noted that thousands and tens of thousands take part in action; as a result of this we must build up new channels for transmitting information lest a gap arise between science and public opinion which cannot be permitted in a democratic society.

It must also be noted that the propositions and conclusions of the social sciences serve the interests of all society but often, even in a socialist society, they clash with developed or even rigid structures, well established particular interest relationships, which are protected by a combination of power and ideological methods. This circumstance always

represented a disadvantage to the cultivators of the social sciences whereas everyone (including the power and the structures) regarded the discoveries of natural science as useful--since the industrial revolution. (In part this was interdependent with the fact that they did not yet recognize the social effects of the natural science-technical discoveries, or felt them to be distant in time.)

So everything must be done in the interest of the freedom of social science research because otherwise we may be 5-10 years late with the introduction of every new factor and this cannot be permitted under present international and economic circumstances.

Society and the political leadership must see clearly what can be expected from science. The dialectic of social-economic development proves that there is no "problem-free" society. The solution of every mature problem is accompanied by the appearance of new problems. The greater our knowledge, the more interdependencies we recognize; so action becomes more complicated. Increasing knowledge and development are accompanied by increasing uncertainty; progress has dangers and risks. This very complex situation, however, requires greater responsibility and cooperation from science.

So realizing the economic policy basic and guiding principles outlined by the 12th congress will require great and coordinated efforts from scientific research, from the economy and from the institutions which influence the situation and movement system of the economy. We are coming to face the problematics of a mature socialist society which wants to achieve a higher degree of development, taking into consideration the requirements of world economic competition. But solving the complex problems and interdependencies of a mature socialist society requires not only and not even primarily enthusiasm and optimism; rather it requires understanding, expertise, a comprehensive knowledge of relationships and value systems, a many-sided overview of international economic interdependencies, creativity, an enterprising spirit and similar things.

But the economic action program in the process of formation is sober and realistic in the sense that it is clear about the possibilities and the limitations on action. There are no unlimited possibilities even in a socialist society, although it was believed that there were in that romantic age which led into terror. The possibilities in the economy are never unlimited; if they were there would be no need for management. Goals must be set in the interest of development (although even these limit one another) and the goals must be compared with the means available, which can never be limitless in this finite world. We do not have to be "chagrined" because of the limits--whether they be the limits of the economy or the limits of the political power--because without limits there is no rational action. I believe that the present stage of self-awareness, the maturity of the socialist society, the comprehensive knowledge of our relationships and the abilities and readiness of society provide a foundation for renewal so that we can hope for the realization of the great national action program which has been mentioned.

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ENTERPRISES FINDING COOPERATIVE SOLUTIONS TO INCREASE PRODUCTIVITY

Budapest NEPSZABADSAG in Hungarian 16 Aug 80 p 3

[Article by Judit Kozma: "Productive Associations"]

[Text] "Do it yourself if you don't have a servant," goes the saying, and, seeing its wisdom, we are sometimes obliged to undertake tasks which we would much rather entrust to professionals. However, if they are simply not available, for example, if the electrician has promised to come five times and never comes, what else can a man do: join the "Do It Yourself!" movement. It will probably be done less skillfully, and in addition will take longer to do, but at any rate it will be done.

If all of this happens with a simple citizen, it can be disregarded. But if the "Do It Yourself" movement offers industrial enterprises the only possible route to finish certain work, it can cause a great deal more concern.

Conspicuous Backwardness

Still, a good many enterprises are unavoidably forced to do this. After all, uninterrupted production unconditionally needs, for example, components, machinery, and work performance which can simply not be ordered from anyone. Or, if there were such a possibility, he would not make shipments in time or not in the necessary quantity and quality. If by chance someone accepts an order, he will refer to the economy of large-scale production and will only be ready to sign a contract for several times the needed quantity.

However, the absolute lack of assurance of contractual ties and definite services inevitably forces the enterprises to become equipped for activities which do not fit their profile. For example, they are forced to produce cogwheels, bolts and axles, and more than once to prepare special components, to repair carts, to wind coils, and this series could be continued for a long time.

Naturally these are very detrimental situations. Actually in the majority of cases the proper industrial background, production techniques and expertise are lacking for side activities of this type. Work of this sort is thus not so much production as "makeshift" in which more than enough men are really kept busy, so that production is considerably impaired.

The international comparative inspection, which the heavy industry enterprises carried out in 1976, unanimously showed these consequences. In the first place they showed that the production of our domestic plants is considerably behind the leading enterprises of the industrially developed countries, by a much greater extent than the Hungarian industrial technical level and technical equipment would justify. Among other things, it is very clear that our backwardness is not primarily in direct production processes, but rather is striking in the production servicing areas. For example, a comparison of the Hungarian-GDR chemical industries will show this graphically. In the GDR approximately 55-60 percent of the enterprise staff participates in the direct production process, while 40-45 percent provide the other service activities, shipping, maintenance and other work. In our country the proportion is the reverse of this, and the proportion of those performing direct productive work is relatively small.

Promising Programs

Thus, it is not so much a lack of modern technology which is lying hidden behind the production differences, since our most productive factories produce just as many products with a much larger staff than the foreign enterprises serving as a base for comparison, but rather the improper organization within the enterprises and the ties between enterprises.

These observations have established the 10-year programs to raise production, developed by the heavy industry enterprises. The enterprises set up the goal of reaching the current leading international production level by 1985 at the latest. According to calculations the time portion of the program has materialized, and although the development of the enterprises has naturally not been of an identical extent, altogether in 1980 30,000 fewer are working in this branch, compared to the original calculations of the fifth 5-year plan. Along with this the activity of a number of enterprises, including the Bakonyi Bauxitbanyak, Dunai Koolajipari Vallalat and Tiszai Vegyi Kombinat, was striking, and is already approaching the best foreign factories today.

Most of this is due to the fact that the enterprises took seriously technical and organizational solutions, and assigned an important role to those things by means of which the personnel demands of production could be reduced and the special auxiliary processes could be better organized. For example, a good number of enterprises, with the assistance of foreign organizers, have significantly increased their productivity, and in many places have developed wage systems to stimulate better production, have applied ingenious small machinery and have implemented effective innovations.

Something has happened in almost every enterprise, and heavy industry is no exception to the general phenomenon. These methods have been mentioned at various exchanges of experience, but the majority of them have continued to remain outside the factory gates, although their application elsewhere would have brought a great deal of utility.

Naturally there have been exceptions. For example, some enterprises have established maintenance cooperation, within the framework of which they help each other with personnel, machinery and equipment in the case of peak repair times or unexpected deficiencies. Cooperation between bauxite and coal mining has also been successful. The use of the chamber-face methods applied in bauxite mining increased productivity in coal mines of a similar nature to a large degree. The lack of similar initiatives by themselves do not markedly interfere with an increase in productivity, but these few examples do show that there are very large reserves in closer collaboration between enterprises.

Let Good Methods Spread

Recognition of this fact led to the implementation of a specific organizational form in heavy industry: the productive association. The first was established on the other side of the Danube 1 year ago with the cooperation of 16 heavy industry enterprises, 2 foundry and machine industry enterprises, 2 construction enterprises, research institutes and the Veszprem Chemical University. The second came into being 1/2 year ago in Budapest with the participation of 16 enterprises, while the third was established in the recent past in the northern Hungarian areas. The last is worthy of special mention because the narrow branch barriers were successfully crossed here, and 16 plants belonging to other departments joined 12 heavy industry enterprises.

This specific development of enterprise cooperation was also aided by foreign experience. Organizations which regularly follow the development of productivity attentively and help in raising the productivity of enterprises are coming into existence in almost every developed country. The European Association of National Production Centers regularly reports on productivity, and this was a good point of departure for specifying the technical area of domestic associations and for developing their organization.

On the basis of voluntary participation the productive associations organized have undertaken a wide range of tasks, with due attention to foreign experience and naturally to domestic needs and possibilities. For example, they regularly follow the development of the international and domestic level, make comparative inspections, take part in developing scientific methods and spreading them, and in general strive in every possible way to encourage closer connections between enterprises.

One of the most obvious possibilities is the acceptance and spread of successful methods worked out in individual enterprises. There have been many examples of this in the past year. Not only have the enterprises studied the so-called event-oriented maintenance method, which reduces maintenance time and expenses by 10-15 percent, developed in the Szekesfehervari Konnyufemmu, but a number also want to implement it. A great deal of interest was shown in the conference dealing with a review of four kinds of wage systems, organized in the association on the other side of the Danube. In more and more places they are reviewing and applying experience in energy economy, and Taurus, for example, will achieve an energy saving of about 300,000 forints in the second half of this year by applying technical control methods developed within the association framework,

But there are not only applicable methods in other places, but useful equipment can also be found elsewhere in individual enterprises. For example, the Koolajipari Gepgyar is buying a plasma-cutting machine which will then be jointly used by three other factories. Thus these three enterprises will avoid buying the machine, and the owner will be able to operate the machine more economically.

"Let's Do It Together!"

Of course for all of this it is necessary to know what is needed, or what the possibilities are in another enterprise. Thus in the Fejer megye the Bauxitbanyak and the Bakony Muvek "became acquainted." The result was the Multicar mine vehicle. The bauxite mine and the Autokozlekedesi Tanintezet developed the vehicle together. It requires little room, is manueverable, self-loading, and suitable for carrying both freight and personnel. In this way it can be used, not only in mines, but in enterprises, as a material-handling machine. However, the Bauxitbanyak in the Fejer megye was unable to undertake the production, but the Bakony Muvek had the necessary conditions, and it is already in large-scale production.

There are also less striking results of mutual acquaintanceship. For example, the Egyesult Vegyimuvek handed its unused and superfluous scaffolding equipment over to the Budapesti Koolajipari Vallalat, where investment work would have slowed down without it. The Vegyepszer, the Kobanyai Gyogyszerarugyar, the Dunai Koolajipari Vallalat and the Egyesult Vegyimuvek transferred various iron sheets, tubes and collecting elements worth 300,000-400,000 forints to one another, and assisted in their maintenance. Aid of this type rendered daily is at least as significant for the association work as the form of cooperation already mentioned with its substantial usefulness.

this aid provided daily, most of it really nothing more than fire-fighting and overcoming sudden difficulties resulting from a lack of organization, inevitably revives the suspicions following the formation of associations: What is this newer organization for? Why is there an association for the work which should proceed by itself according to the normal order?

While there is close cooperation between enterprises, the joint work of experts working in individual plants does not yet in general belong to the daily order of things, although this is the only way that the "Let's Do It Together!" movement can replace the "Do It Yourself!" slogan, and is one of the indispensable conditions for an increase in productivity. The productive associations can serve as an example of this.

6806
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FARMS ATTEMPT TO OFFSET HIGHER COST OF INPUTS

Budapest FIGYELO in Hungarian 20 Aug 80 p 11

[Article by Dr Laszlo Nemeti: "Cost and Re[illegible]e Ratios in Agriculture"]

[Text] The production increase attained in agriculture is realized from year to year at a greater material expenditure and a greater investment of fixed assets. The cost of materials used in agriculture between 1968 and 1978 rose about three-fold, while the gross stock of assets doubled. The ratio of material cost in 1968 was 68 percent of gross production value, and in 1978 it was 65 percent. But the material cost ratio of agriculture on state farms reached 80 percent by the end of the period under study, and on cooperatives it also approached 70 percent.

The ratio of net production values, including wages and individual incomes as well as net income, declined from 48 to 35 percent. But in the agricultural activity of state farms, this ratio was only 21 percent, and in the common production of cooperatives, 31 percent.

Why the Decline?

In the ratio decline of net production value a role is played, of course, by the rapid erosion of the number of agricultural workers and the lower net income content in agricultural producer prices. The wage income content of agricultural producer prices is about one-third of the national economic average. Thus the increasing use of industrial materials, because of the varying revenue content, further limits the revenues of agricultural production.

The change in the cost and revenue ratios is also indicated by the fact that the net income content of the agricultural operations' gross production value is gradually declining. While in 1968 the net income content in 100 forints' worth of gross production value came to 10.7 forints--an outstandingly high 15.2 forints in 1969--it did not come to even 10 forints in the excellent production year of 1977. In 1978, it declined to 8.9 forints. The revenue decline is even more significant if we compare it to material costs. Net income per 100 forints of material cost

fell in the 10-year period under study from 20.4 to 13.7 forints. Thus, with the change in the cost structure, the profitability of agricultural operations gradually worsened.

In 1968, agriculture used about 2 billion forints' worth of driving and heating fuel. In 10 years this has doubled, and meanwhile prices also rose twofold. Thus the agricultural operations had to spend about four times as much, about 8 billion forints, to acquire these products. Fertilizer costs tripled, while the cost of herbicides rose nearly sixfold.

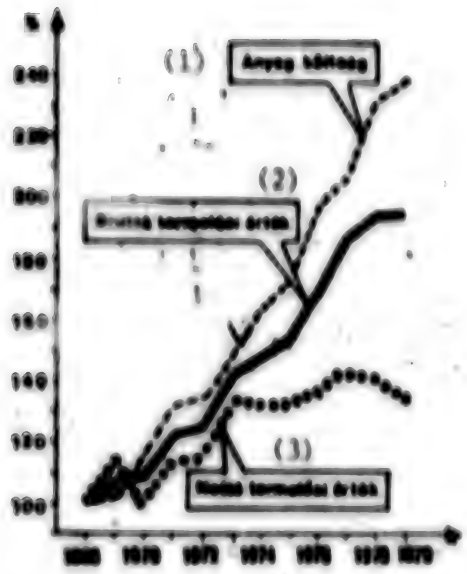
Fodder has a 44 percent share in agricultural material consumption. The volume of consumed fodder increased 43 percent in 10 years, but in the meantime foddering costs increased almost twofold.

Table 1. Gross and Net Production Value and Material Costs of Agriculture in 1978 (1968 = 100)

	Gross Production Value	Crop Production	Livestock Breeding	Material Costs	Net Production Value
State farms	200	180	223	228	137
Privately owned agricultural producer cooperatives, joint	197	187	217	236	144
Other farms	188	163	208	233	158
Total	194	179	214	233	150

In all three agricultural sectors, the development of the material- and means-intensive livestock breeding branches was faster than in other sectors of agriculture. The more rapid increase of material costs than of gross production value was also expressed by the slow change in net production value, which is shown in the following graph. [see next page]

In the foreseeable future we can count on a further price increase in material costs and particularly in industrial materials. This is also indicated by the fact that as a consequence of the 1980 price changes, as compared to the 11 percent rise in producer prices for agricultural products, the price of fertilizer rose by 16.6 percent, herbicides by 21 percent, parts by 24 percent, energy by 36.5 percent, and irrigation water by 500 percent. Thus in the future the efficiency of agricultural production will be most strongly influenced by the price of industrial materials, their quality and their rational and economic utilization.



Key:

(1) material cost
(2) gross production cost
(3) net production value

But the cost and revenue relations of agriculture are influenced not only by the individual sectors, but also by the varying cost and revenue ratios of the branches as well.

In the period under study the yield of wheat and corn has increased significantly, and thus the increasing production costs have been largely countered by the rise in yields, and there was a lesser need for price increases. At the same time in the case of sunflower and sugarbeet, given the slight rise in yield, the provisions for a return of the increasing material costs and the profitability of the producer incentive had to be assured primarily through price increases. As is evident from the data in Table 2, the profitability of wheat and sunflower has declined significantly while that of corn and sugarbeet has increased. With this, however, only the earlier imbalances were evened out, and in 1978 the revenue per 100 forints of cost was approximately equal in the 4 branches.

Table 2. Profitability of Certain Arable Land Crops in 1978 (1968 = 100)

	Wheat	Corn	Sunflower	Sugarbeet
Yield	165.4	168.9	116.1	103.2
Production value	162.5	185.9	176.3	178.4
Production cost	217.1	178.1	222.8	148.8
Revenue per 100 forints of cost	46.9	125.0	51.9	257.1

Material cost has increased in a noteworthy way. At the same time, as a result of large-scale technical development and industrial material consumption, live work utilization declined within 10 years by 93 percent in the case of corn, and 71 percent in the case of sunflower and sugarbeet.

Agricultural production which is based on modern technology depends more and more on industrial production. With the present price policy--when an increasingly greater share of industrial materials and means become free price products--the rapid price increase of materials of industrial origin may cause difficulties in agriculture, since 85 percent of the products that belong here, precisely because of the price stability of the basic consumer items, fall under the category of maximum or fixed price commodities. Thus we are unable to pass on the greater share of the price increase in agricultural operations and industrial materials and means.

The Production Structure

One of the most important problems of our economic policy is the development of an economic production structure. In view of the fact that in agriculture the cost and revenue relation of grain and several well-mechanized crop production branches are still more favorable than average, it may be expected that their production will be able to be stabilized in the coming years. This is also justified by the more favorable world marketing possibilities and the economy of these products. With the rapid production cost increase and the significant narrowing of machine price supports, the 1980 price measures may hinder technology replacement in the most machine-intensive branches of corn and sugarbeet production. Therefore, improvement in the profitability relations of these crops remains a central task.

We must analyze in greater detail the problem of the development of the livestock breeding branches since the increasing industrial means and material prices are strongly influencing their profitability. The increase in the crop production costs through fodders will also burden livestock breeding. Since the price of the products is defined primarily by costs, the rapid rate of increase in industrial means and material prices will in this way continue to lead to a rise in the purchasing prices of agricultural products.

The stability of prices of food, which form the most important part of total consumption, is also a function of the development of agricultural production costs. Therefore, the domestic industry can be of service through the manufacture of inexpensive and good quality resources and materials, while agriculture can be of service with their utilization in an economic way.

6691
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ENTERPRISE STRUGGLES TO PREPARE NEW FIVE-YEAR PLAN

Budapest NEPSZABADSAG in Hungarian 3 Sep 80

[Article by Dr Janos Polonkai: "Enterprise is Preparing a Five-Year Plan, Experiences of the Ganz Electrical Works"]

[Text] In the third quarter of 1980, planning operations to set the enterprise management goals at the Ganz Electrical Works for the Sixth Five-Year Plan will be completed. The change in the economic environment, principally the worsening of the terms of trade and the intensifying international competition, have modified the requirements for medium-term planning, and it demands of us a new outlook and methods.

If I were to compare planning work to target practice, the change of circumstances is characterized by the fact that while in the previous five-year plans we had to aim at a slowly moving target, we must now fire at objectives that pop up unexpectedly. (We must become accustomed to the fact, for example, that export-import prices and foreign exchange rates as well change frequently, and sometimes significantly, and more and more these factors influence the domestic profitability of these products.) Now in our plans we need to work minimally with firm figures, and seek rather to define clearly the range in which we can flexibly adjust to changes.

The Upper and Lower Limits of Demand

Greater flexibility is also made necessary by the fact that in 1979 a total of 22 percent of the production at the Ganz Electrical Works went for export on capitalist markets, 10 percent for socialist export, and 68 percent for meeting domestic requirements. Several years ago our total export hardly came to 10 percent, that is, the enterprise produced mainly for the domestic market. Under the Fifth Five-Year Plan the development was dynamic; the annual rate of production growth was between 10 and 15 percent, and between 1977-1980 it realized an investment of 750 million forints.

In the initial phase of planning a year ago, we came up with preliminary development ideas which were useful in that we had to examine the technical-economic situation and marketability of our product groups and search for the possible main lines of development. In the following phase of our planning work the emphasis was on establishing market requirements.

The survey of domestic market requirements is now substantially more difficult than before because most of the purchasers from the Ganz Electrical Works do not know how much money they will have in the next 5 years, although in this case we are speaking of investment products with a long completion time, energetics equipment, electric railway equipment, etc. Therefore, in indicating domestic requirements in advance, we have used methods different from the usual. First of all, we researched those products for which our biggest buyers, that is the electric energy industry and MAV [Hungarian State Railways], will definitely have a need. (Without replacing equipment that must be discarded without further delay, the economy's circulation would be stopped, its supply of electricity and railroad transportation would cease). We can regard this as the lower limit of demand. The upper limit in our plan is that sum which our customers are for the time being planning to invest if they have enough money for the investment.

The difference between the lower and upper limit accounted for in the planning of the enterprise varies by product groups. For example, while the variation in products required by MAV was within 10 percent, it reaches 30 to 40 percent in some kinds of energetics products. In the course of planning we sought, and are still seeking, gradually to reduce this difference with the acquisition of new information. We believe that in the survey of domestic demand we can within 5 years tolerate a difference of 10 percent, but not more. In demand we also measure, of course, whether we can meet import competition in price.

While domestic demand can be estimated relatively exactly and the buyers' intent is quite recognizable, it is not possible, because of its dimensions and unpredictability, to measure the capitalist market with such methods. To be sure, we have called on experts to make market surveys for us, and we have acquired foreign trade enterprise information, but we did not regard all these things as reliable enough for us to base our planning on them. In the course of specific analyses we came as a matter of fact to the conclusion that our export possibilities are limited not directly by the magnitude of the market demand, but decisively by the competitiveness of the enterprise. According to our calculations, it is on one hand through primary cost reduction based on technical development, and on the other hand through broader primary contractor activity that we can improve the competitiveness of the enterprise to the extent that it will make it possible to increase the exports of the Ganz Electrical Works by about 10 to 15 percent. The market will not set up barriers to such an increase, but we must count on annual fluctuations in export possibilities.

Domestic marketing and the minimal volume of planned capitalist export will together make it possible to exploit adequately the fixed assets of the enterprise, and the free capacity above the basic load we will seek to use to meet favorable cyclical market demands that cannot be foreseen.

Trends in Price Changes

Some problems are encountered by planners attempting to realistically establish market demands, but most planning headaches are caused by the numerical planning

of complex economic indexes like profit or means efficiency, for example. From prices through foreign exchange rates to economic regulators we must here take into account many such factors that are very difficult to plan. Therefore, we decided to leave out of the plan estimates all such factors where future development cannot be deduced from basic technical-development, and economic political trends. Thus we do not plan for changes in exchange rates and we do not count on such changes in regulators as directly modify profits. The above two factors we can regard as only "surface" phenomena which as effects reflect the changes of deeper economic interconnections. A foreign exchange rate change can be ignored because the unfavorable effect it may have on profit can be reduced to the minimum with rate of exchange insurance.

Regarding price changes, we count on two lasting trends in our plan. One of our assumptions is that energy prices, and the prices for energy-intensive materials (for example, chemical goods) will be relatively more expensive in the Sixth Five-Year Plan period as compared to other materials. The other trend that promises to be permanent is that the price index for finished products, with reference to the same technical parameters, will rise less than the index for materials and energy sources. This latter trend means, for example, that if a product line is produced with the same technology and the same cost expenditure as several years before, then the increase in material prices will not be recovered in the sale price, or profits will decline. This can be guarded against by the producing enterprises only by changing the product line and the production technology (and the related plant and work organization) as well as by modernization. The Sixth Five-Year Plan of the Ganz Electrical Works was also prepared in this manner, and we are counting by product groups on a specific material reduction of 10 to 15 percent.

The enterprise plan has two variants. In one variant, starting from a lower market demand, the annual rate of growth is 4 to 5 percent. In the other variant, assuming a brisker market demand, the average annual rate of growth is 7 to 8 percent. We regard the two variants as the lower or upper limit of our possibility for mobility. Our main task is to assure, even in the planning, such a flexibility in enterprise undertaking as will make it possible to move from one variant to another in accordance with the market change. We must also count on the fact that there may be further fluctuations both on the domestic and export markets.

Of course, two investment and technical development variants also belong to the above-mentioned two marketing variants, but these are closely related to each other. By this we mean, for example, that the larger investment variant can be developed from the smaller by making further additions (machinery and equipment) as, for example, with variable modern furniture where a three-part bureau series can be expanded with a fourth element if the needs of the family grow. In both cases, the planned investment is intensive, that is, we do not plan to create new production areas through construction; whereas machine investments, substantially machine replacements, we can adjust to the actual rate of growth by the above-mentioned method. By installing high-performance machinery we can reduce the number of work places as well.

Establishing the manpower demand was a hard nut to crack in the planning work. After a many-sided study, we are planning on a 2.5 to 3 percent annual reduction in our Budapest factory, and in our provincial factories we are counting on maintaining our present average number. On the enterprise level the annual reduction comes to about 2 to 2.5 percent. The sources of productivity are: technical development (for example, investments installed in the Fifth Five-Year Plan), changes in the product structure, and work organization and wage measures.

Organizational Measures

The plan will remain a dead letter unless we buttress it with organizational steps. Our enterprise is planning, for example, the following, more important measures:

--shortening of the chain of command within the enterprise, that is the development of a guidance oragnization that adjusts better to the work process, is less fragmented, and is more suitable to the profit incentive;

--putting internal information on continuous computers in the course of automatic accounting development, above all in the field of material management and production perparation;

--institutional expansion of work methods that promote management, including value analysis;

--realization of a smoother, internal manpower regrouping (from one work shop to another, or from one trade to another, a so-called related trade).

In the coming weeks we shall open the Sixth Five-Year Plan of the Ganz Electrical Works to debate in the democratic forums of the enterprise. The social control of our plans will make it possible to filter out any faults and to have the active collaboration of the workers in developing and realizing the common goals included in the plan.

6691
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TEXT OF 1949 TRADE UNION LAW PUBLISHED

Warsaw DZIENNIK USTAW in Polish No 41, 15 Jul 49, Item 293 pp 853-854

[Law dated 1 July 1949 on trade unions]

[Text] Part I. General Regulations

Article 1. For the purpose of the statutory securing of the most favorable conditions by the people's authority in Poland for the development of the trade unions with the intention of consolidating the victory and achievements of the working class, strengthening people's authority and the construction of socialism in Poland and also for the purpose of creating the most suitable conditions for further activity being developed by the trade unions in the field of representation and defense of the interests of the workers and white-collar employees, concern for the systematic and continuous improvement of the material and cultural situation in the world of labor, mobilization of the working class to carry out the production plans, increasing work productivity and developing competition, and permanently raising the national economy to a higher level:

1) the workers and white-collar employees are guaranteed the right to voluntarily organize in trade unions as well as to most actively participate in administering people's authority,

2) all regulations remaining as a legacy after the capitalist governments, which limited the right of the workers and white-collar employees to voluntarily group themselves in trade unions, which subjected the activity of the trade unions to the supervision of administrative authorities and also contributed to the breaking up of the trade union movement, are abolished.

Article 2. Workers and white-collar employees who are employed in enterprises, offices, and institutions, as well as other persons who are working on the basis of a work agreement, an apprenticeship agreement, or public authority appointment, have the right to voluntarily organize in trade unions.

Part II. Tasks, Goals and Scope of Activity of the Trade Unions

Article 3. The statute of the Association of Trade Unions (Zrzeszenie Związkow Zawodowych) in Poland as well as the statutes of the trade unions which are entering into the composition of the association, describe in detail the tasks, goals and scope of activity of the trade unions. The Congress of the Trade Unions in Poland votes on the statute of the Association of Trade Unions.

Part III. Rights of the Trade Unions

Article 4. Paragraph 1. The trade unions through their statutorily-specified managerial echelons and union organs cooperate with the authorities and institutions in the field of public administration, the national economy, and supervision within the scope and manner prescribed by legal regulations.

Paragraph 2. In the area of the implementation of their statutory tasks, the trade unions represent those who are organized as well as those who are not organized in all matters which pertain to the general interests of the workers.

Part IV. Organization and Authorities of the Trade Unions

Article 5. Paragraph 1. The principal representation of the trade union movement in Poland is the Association of Trade Unions.

Paragraph 2. The Association of Trade Unions in Poland is a legal entity.

Article 6. The highest organs of the Association of the Trade Unions in Poland are:

1) The Congress of Trade Unions

2) The Central Council of Trade Unions.

Article 7. The procedure and manner of electing delegates to the Congress, their number as well as the dates for convening the Congress of the Trade Unions is described in the statute of the Association of Trade Unions in Poland.

Article 8. The Central Council of Trade Unions is answerable for its activity only to the Congress of the Trade Unions.

Article 9. Paragraph 1. The Central Council of Trade Unions maintains a register of the trade unions.

Paragraph 2. Each trade union becomes a legal entity at the moment of registration.

Part V. Interim and Final Regulations

Article 10. The rights of the Association of Workers' Trade Unions in Poland and the Central Commission of the Trade Unions, ensuing from the legal regulations in force, pass respectively to the Association of Trade Unions in Poland and the Central Council of Trade Unions.

Article 11. Rescinded are:

1) The decree dated 8 February 1919 on the subject of provisional regulations--on workers' trade unions (Dz. U. R. P. [Legal Gazette of the Republic of Poland] No 15, Item 209);

2) Article 7 and Article 11, paragraph 2, of the Decree of the President of the Republic, dated 27 October 1932 on the Law on Associations (Dz. U. R. P. No 94, Item 808), and in Article 9, point c), of that decree, the words: "with the exception of the provisions contained in Article 11, paragraph 2, and Articles 15, 17 and 19" are deleted.

Article 12. The Chairman of the Council of Ministers and the Minister of Labor and Social Affairs are charged with carrying out of this law.

Article 13. This law becomes effective on the date of promulgation.

President of the Republic: B. Bierut,
Chairman of the Council of Ministers: J. Cyrankiewicz,
Minister of Labor and Social Affairs: K. Rusinek.

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October 19 1990

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